



Shizuoka Financial Group

INTEGRATED REPORT

2023

Economic Overview of Shizuoka Prefecture

Industrial Characteristics

Shizuoka Prefecture is situated midway between the two major consumer markets and industrial centers of Japan — the Nagoya region plus the Osaka-Kyoto region to the west, and the Yokohama-Tokyo region to the east. Because of this location at a busy "crossroads" of the nation, it has historically developed into a significant center of manufacturing industry. The convenient location of Shizuoka Prefecture in transportation terms has caused the growth of a strong industrial base. The prefecture is one of the country's leading manufacturing areas. The wide variety of industries represented within Shizuoka has led to it being dubbed "the industrial department store." Corporations active in Shizuoka include world-leading enterprises such as Toyota, Honda, Suzuki, and Yamaha, and the prefecture is renowned for its concentration of export-oriented manufacturing companies. Many of these firms have set up production subsidiaries overseas, which are creating a growing international

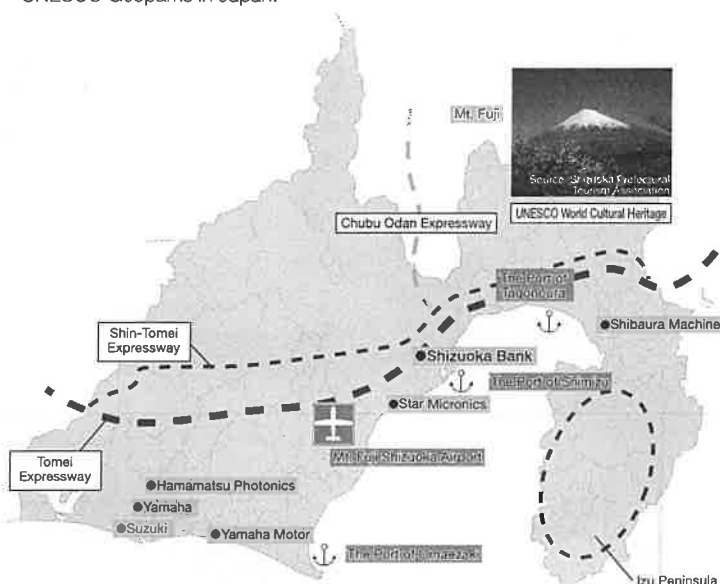
aspect to the regional economy. We expect that Shizuoka prefecture will be more internationalized, stimulating the interchange of people and ideas with the major urban centers of Eastern Asia, and act as an important driving force for the regional economy.

In recent years the prefectural authorities have been operating a number of schemes to encourage companies in the medical treatment, pharmaceuticals, chemicals, and optical technology industries, among others, to set up operations in the so-called "Shizuoka Triangle Research Cluster" (spread across the prefecture's eastern, central, and western districts) as a means of developing a next-generation industrial base.



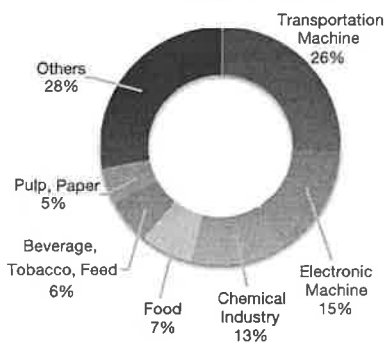
Economy in Shizuoka Prefecture and Current State

- Positions as distribution hub between Tokyo and Osaka/Nagoya.
- Represents leading manufacturing prefecture in Japan.
- Owns a lot of export-driven companies handling machinery of transportation and musical instruments and etc.
- Has many representative tourist locations with rich natural resources.
- The Izu Peninsula was certificated as a UNESCO Global Geopark in Apr. 2018. Global Geoparks are natural parks of topographical and geological significance. There are nine UNESCO Geoparks in Japan.



Industrial structure in Shizuoka Prefecture

- Amount of shipments of manufactured goods etc.
: JPY 16,451.3bn 3rd largest in Japan (2020)



Source: Survey on industrial statistics by METI

No. of listed companies with HQs in Shizuoka Prefecture

Listing	No. of companies
TSE Prime	20
TSE Standard	30
TSE Growth	1
Total	51

*As of the end of Mar. 2023

Economic scale of Shizuoka Prefecture

- Accounts for 3% share of all-Japan and ranks 10th in the scale of economy in Japan.
- Has greater GDP than total GDP of 4 prefectures in Shikoku or 3 prefectures in Hokuriku.
- Its GDP is ranked next to those in Kazakhstan, Qatar, Algeria.

Shizuoka Prefecture indices

	Share of all-Japan	National ranking
Population	3.58m	2.9%
No. of households	1.62m	2.7%
Nominal prefectural GDP	JPY 17.8tn	3.1%
Per-capita income	JPY 3.407m	-
No. of business establishments	190k	3.0%
Amount of shipments of manufactured goods, etc.	JPY 16.5tn	5.4%
Agricultural output	JPY 208.4bn	2.4%
Fishery production volume	250k tons	7.7%
No. of industrial locations	49	5.7%
No. of new housing starts	21k	2.5%

Shizuoka Prefecture economic scale

Prefectural GDP (FY2019, Nominal)		
Rank	Prefecture/Region	(US\$ billions)
9	Fukuoka Prefecture	183.5
10	Shizuoka Prefecture	164.4
11	Ibaraki Prefecture	129.7
-	4 prefectures in Shikoku	136.6
-	3 prefectures in Hokuriku	123.2
GDP comparison with countries (2019)		
Rank	Country (Region)	(US\$ billions)
54	Kazakhstan	181.7
55	Qatar	176.4
56	Algeria	171.7
-	Shizuoka Prefecture	164.4
57	Hungary	164.0
58	Ukraine	153.9

*Sources: Economic and Social Research Institute (ESRI)
Cabinet Office, Government of Japan

Shizuoka Financial Group at a Glance

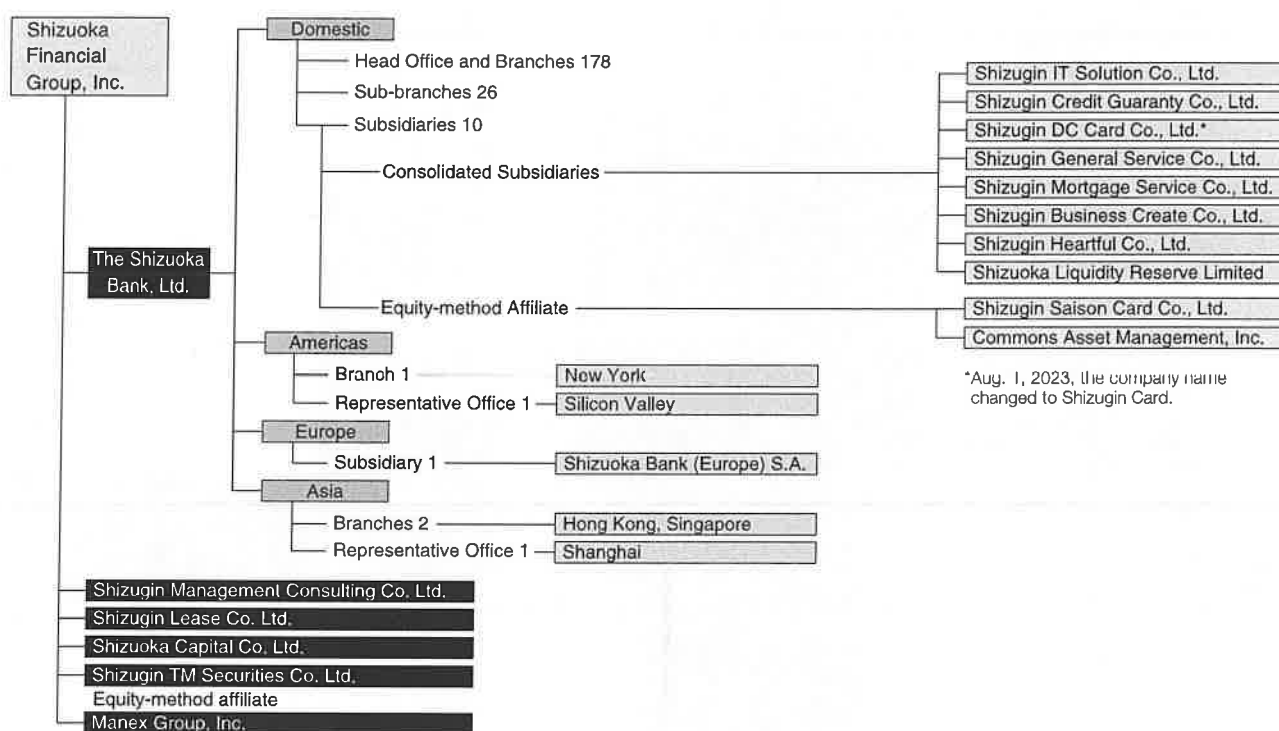
NURTURING THE VISION OF A PROSPEROUS COMMUNITY

True to the corporate philosophy, which aims to “expand dreams and affluence with our community,” the Shizuoka Financial Group (the “Group”) makes an ongoing contribution to the development of the region around Shizuoka Prefecture, which forms the core of its business base. This corporate philosophy incorporates not only an economic dimension but also a cultural one: living in harmony with the local communities and the people we serve, sharing prosperity with them as a home-grown local banking group and a member of the regional community, and also helping local people to live more fulfilling lives,

A FIRST-CLASS REGIONAL FINANCIAL GROUP

The Shizuoka Financial Group comprises The Shizuoka Bank, Ltd. (the “Bank”) and thirteen group companies, and is one of the largest regional financial groups in Japan. Centered on Shizuoka Bank with the Head Office, 177 branches and 26 sub-branches, the Group serves the needs of customers not only within Shizuoka Prefecture, its home region, but also in three major economic centers in Japan, namely Tokyo, Osaka, and Nagoya, all of which are comparatively nearby. For overseas operation, the Bank operates in New York, Silicon Valley, Brussels, Hong Kong, Singapore, and Shanghai.

The Structure of the Shizuoka Financial Group (As of July 1, 2023)



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Aiming to be a Corporate Group Committing
itself to the Future of the Region and
Producing Growth of the Region



President & CEO
Hisashi Shibata

H. Shibata

CEO Message

Transition to a holding company structure

On October 3, 2022, the Shizuoka Bank Group transitioned to a holding company structure, making a new start as the Shizuoka Financial Group.

Beginning with the 9th Medium-term Business Plan launched in fiscal 2005, the Shizuoka Bank Group has worked to strengthen group management to provide comprehensive financial services. We have grown into a corporate group boasting one of the largest regional financial institutions, while refining the expertise of each group company. At the same time, we also perceived the need to further accelerate our own transition to keep up with the times and find solutions to the increasingly diverse and complex challenges currently faced by our regional customers. It just so happened that this perception coincided with

revisions to the Banking Act, which expanded the scope of operations of banks and bank holding companies and enabled bank holding companies that meet certain criteria to establish subsidiaries simply by filing a notification. New measures such as these created an environment where we could expand into new domains with a sense of speed.

Based on these factors, we determined to transition to a holding company structure to adapt more flexibly to changes and further boost the Group's combined strength. The new structure inherits the Group's corporate philosophy of "expanding dreams and affluence with our community." We will continue to contribute to sustainable growth in the region by striving to create new value for the future.

Review of the 14th Medium-term Business Plan "COLORs"

Looking at the current economic environment, despite the progressive normalization of economic activity in the wake of the COVID-19 crisis, the recovery in business conditions has been hampered by the effect of soaring raw materials prices, supply chain constraints, personnel shortages and other factors against the backdrop of geopolitically unstable international affairs. Amid the continuing easing of the monetary policy within Japan, business sentiment remains clouded, partly due to concerns over economic slowdowns overseas and the impact of elevated commodities prices due to dramatic movements in foreign exchange rates, as countries around the world revise their policies to combat inflation.

Under these circumstances, the Group launched its 1st Medium-term Business Plan in April 2023. This, our first such business plan under the new holding company structure, is aimed at steadily progressing towards sustainable growth together with the region, in any business environment. Before explaining this new plan in detail, I would like to take some time to review the 14th Medium-term Business Plan "COLORs," which we implemented over three years as the Shizuoka Bank Group.

[Figure 1] Aim to "change to a problem-solving corporate group" in the 14th Medium-term Business Plan with a view to realize the picture targeted in the long term (10-year Vision)

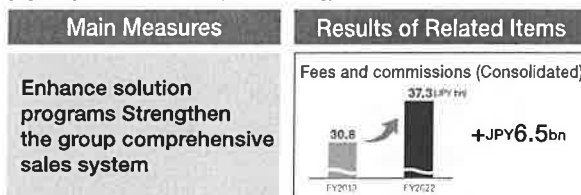


Three basic strategies and 10-year strategy

Under the 14th Medium-term Business Plan, unlike previous such plans, we established for the first time our 10-year vision of "a corporate group committing itself to the future of the region and producing growth of the region," committing ourselves to the region from a longer-term perspective. We engaged in three basic strategies and a 10-year strategy over this time, which we designated as a period of business model transformation aimed at achieving our vision.

In our first basic strategy, the "Group Sales Strategy," we made maximum use of our group functions to implement our solutions business, based on the theme of "finding a way out from the banking-centered sales style." We worked to strengthen our group-wide integrated sales structure through measures such as promoting sustainable finance, which provided financing for customers' ESG and SDGs initiatives, support for business succession, and interaction of human resources of over 200 people among our group companies. As a result, **our consolidated profits from fees and commissions** obtained by providing services such as consulting functions increased by 6.5 billion yen over 3 years.

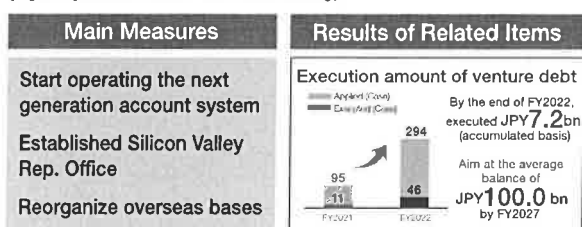
[Figure 2] Results of the "Group Sales Strategy"



In the "Innovation Strategy," our second basic strategy, we pursued new profit opportunities through initiatives to incorporate the latest technologies adapted to the era and expand into new business fields. In addition to launching an

open-structure next-generation core system in January 2021, the first such system used at a Japanese bank, we began offering loans to startup companies in the growth stage (**venture debt**) as a new business expected to drive growth. We also restructured our network of overseas offices based on the changing business environment. As part of this, we were the first regional bank to establish a representative office in Silicon Valley. We enhanced our business structure to bolster our overseas businesses while incorporating the latest information and technology.

[Figure 3] Initiatives of the "Innovation Strategy"



In our third basic strategy, the "Business Portfolio Strategy," we aimed to optimize the allocation of management resources. We engaged in portfolio optimization to expand group earnings. As an example of this, in the **structured finance** field, we successfully improved profitability while maintaining the soundness of our assets, based on an appropriate risk-return analysis, and were able to achieve significantly higher earnings. For our human capital, a key management resource, we engaged in the first drastic reform of the personnel management system after around two decades. In addition to introducing a new evaluation system, "OKR," we pushed ahead with the transformation of corporate culture to encourage new ideas for problem-solving while combining the

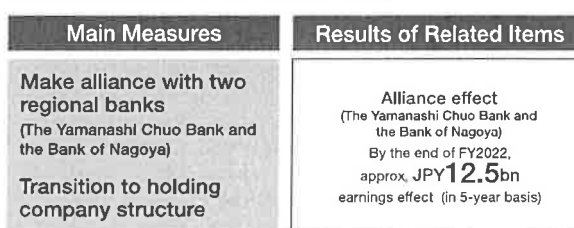
[Figure 4] Initiatives of the "Business Portfolio Strategy"



diverse value perceptions and individualities of each officer or employee through the promotion of diversity.

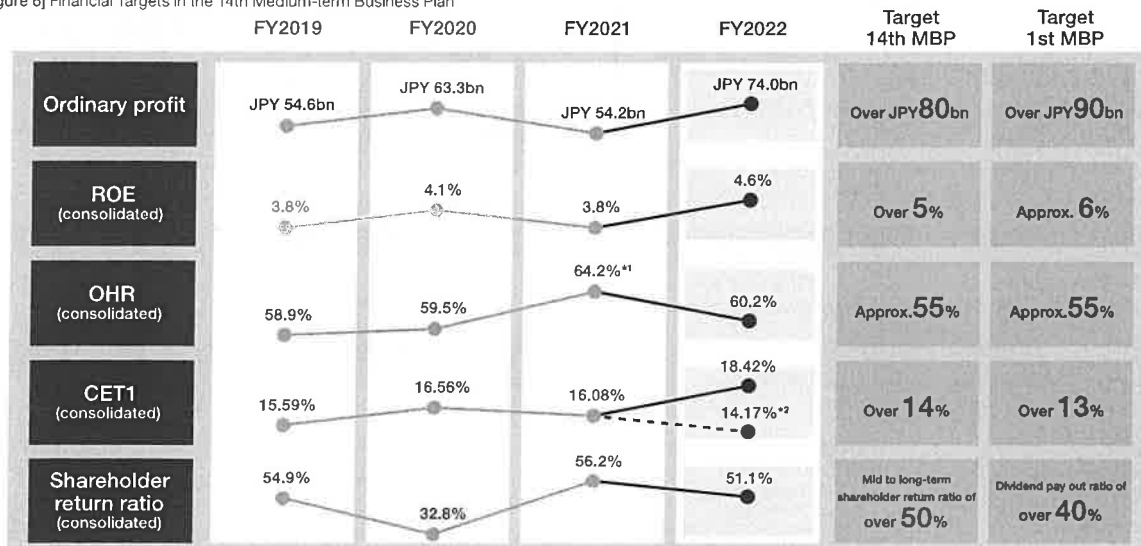
Lastly, in the "Region-producing Strategy," our 10-year strategy encompassing a medium- to long-term perspective, we **formed business alliances** with The Yamanashi Chuo Bank in October 2020 and The Bank of Nagoya in April 2022, as a growth strategy for the future of the region. By leveraging each other's strengths, we have been able to realize benefits from these alliances that surpass our initial expectations. These include cooperation in the regional revitalization field like individual business talks across different regions, as well as cooperation in the fields of finance and life planning and further, initiatives to support the transformation of regional industries.

[Figure 5] Initiatives of the "Region-producing Strategy"



With the COVID-19 pandemic and a succession of other unforeseeable events, these three years have tested our true value as a financial institution. We gained a deeper level of trust from the region and our customers by demonstrating the integrated consulting functions of the Group, in addition to support for cash flow and business restructuring during the pandemic. This enabled us to boost our consolidated ordinary profit by approximately 20.0 billion yen, mainly through the growth of loans, fee business, and other core businesses. Faced with a significantly different market and investment environment to the one we originally anticipated when the plan was established, we implemented operations to improve the soundness and profitability of our securities portfolio for the future. As a result, although unable to achieve our earnings targets, we were able to execute a variety of reforms, our next move towards the future, while laying the groundwork for our 1st Medium-term Business Plan as the Group.

[Figure 6] Financial Targets in the 14th Medium-term Business Plan



*1 Effect of depreciation of the first generation account system *2 Preliminary estimate after the full application of the Basel III finalization

Formulation of the 1st Medium-term Business Plan “Xover – Clearing the way to a new era”

■ Basic concept of the 1st Medium-term Business Plan

Next, I would like to help our stakeholders gain a deeper understanding of our 1st Medium-term Business Plan “Xover – Clearing the way to a new era,” which began in fiscal 2023, by explaining its basic concept and the aspirations it embodies.

First of all, I should mention that we formulated the 1st Medium-term Business Plan using a totally different approach to previous business plans. In the past, we depicted our group image both extended from the past and attainable in the short future as “forecasting approach,” to formulate our business plans. This time, however, considering the era of VUCA, when the outlook is no longer accessible to forecasting, we adopted “**backcasting approach**” to plan how to achieve our vision for the future after designing the vision.

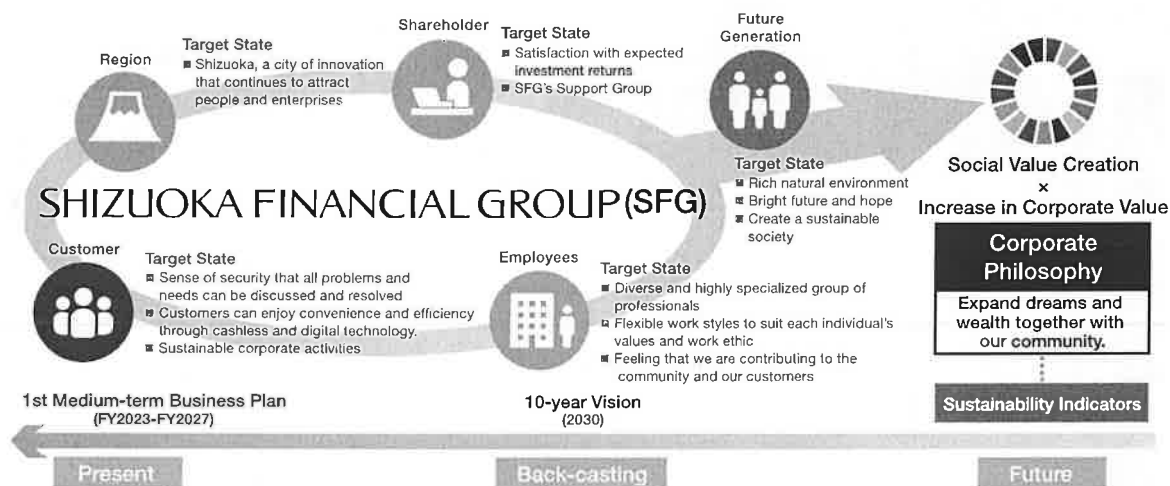
We have also changed the duration of the plan from three to five years. We hope to progress towards our vision from a long-term perspective, moving with agility to correct our course as necessary to match changes in the business environment.



[Figure 7] Target State of the 1st Medium-term Business Plan

Target state to be achieved in 2030 “A state in which all stakeholders are sustainable and their well-being is improved”

Continuously improving the well-being of stakeholders by solving problems and meeting needs of the community and customers, and increasing corporate value of SFG



We have newly included “**future generations**” among our stakeholders. By this, we mean the human capital that will drive the future of the region, as well as the future of the region itself. By fiscal 2030, we aim to achieve a balance between the continuing improvement of shareholders' wellbeing and the enhancement of the Group's corporate value.

The name “Xover (Crossover) – Clearing the way to a new era” was chosen from among submissions from the Group's employees. “Xover (Crossover)” refers to the integration of different fields and elements across genres. As our first Medium-term Business Plan in our new holding company structure, it embodies our commitment to pioneer the future in this era of uncertainty, co-creating new value together with our stakeholders.

In this 1st Medium-term Business Plan, we set forth two visions. The first is our “10-year Vision.” This carries on from

the long-term vision set forth in the 14th Medium-term Business Plan. We aim to be the presence that enhances the region's attractiveness and leads the region. The second is our “1st Medium-term Business Plan Vision,” our aim for the five years of the plan: to be “a problem-solving corporate group creating new value for the future.” We aspire to create new value by leveraging our new holding company structure to refine our customer problem-solving capabilities as a comprehensive financial group.

■ Creating social value while enhancing corporate value

We have newly established “**sustainability indicators**” among our management indicators for the 1st Medium-term Business Plan. These are measures of the sustainable growth of both the region and the Group, as well as progress towards

our vision for 2030. With an awareness of the impact of financial institutions on the future of the region, we have identified priority issues (materiality) for the Group, and we aim to achieve our targets for each indicator by addressing these issues through our four basic strategies.

We have established three sets of sustainability indicators: the “**social impact indicators**,” measuring our impact on social value creation and the “**financial targets**” and “**engagement indicators**,” through which we aim to enhance our value as a company.

Our “social impact indicators” include three “aims” established with an awareness of social impact within Shizuoka Prefecture: rate of social change in Shizuoka Prefecture’s population, real gross product in Shizuoka Prefecture, and percentage of the reduction of GHG emissions in Shizuoka Prefecture. We hope to link these to the sustainable economic growth in the region.

We have established four “financial targets” from the three perspectives of profitability, efficiency, and soundness: consolidated ordinary profit, consolidated ROE, consolidated OHR, and consolidated CET1 ratio. The “engagement indicators” include three indicators: customer satisfaction with the transactions with the Group, engagement of the Group’s employees, and carbon neutrality as targets. We have set targets for each. We aim to enhance our corporate value through the achievement of these seven “indicators to commit.”

The basic concept of the 1st Medium-term Business Plan is not limited to the conventional “pursuit of economic value” but

is founded on the aspiration to boost the Group’s economic value, thus corporate value, through initiatives to create new value for the region.

Until now, we tended to focus on the economic value reflected in figures, such as the growth of balance of loans and earnings. In the future, we hope to co-create the region’s future together with our stakeholders in the region and so on through initiatives such as creation of employment and new industries to boost the attractiveness of the region, execution of sustainable finance to achieve carbon neutrality in the region, and support of businesses that contribute to reducing greenhouse gas emissions. We hope to transform these initiatives into the power to drive sustainable growth for both the region and the Group.

It will not be a simple task to balance the creation of social value and the enhancement of corporate value. However, we are proud of this ambitious and extremely meaningful plan.

I should mention that although our “social impact indicators” apply to Shizuoka Prefecture only, we perceive the “region” as all the Group’s areas of operation where we have customers. We will expand the concept of the 1st Medium-term Business Plan outside Shizuoka Prefecture to achieve the sustainable growth of those regions, as well as the Group itself, by pursuing our basic strategies to realize the goals of all our stakeholders.

[Figure 8] Sustainability Indicators

			Indicators	Target for FY2027
Social Value Creation	Social Impact	aim	Rate of Social Change in Shizuoka Prefecture’s Population	Continuously Increasing
			Real Gross Output in Shizuoka Prefecture (GDP)	Sustainably Developing
SFG	Financial Targets	commit	Percentage Reduction of GHG Emissions in Shizuoka Prefecture	-46% compared to FY2013 (FY2030)
			Consolidated ordinary income	More than 90.0 billion yen
	Soundness		Consolidated ROE	Approx. 6%
			Consolidated OHR	Approx. 55%
	Engagement		Consolidated CET1 Ratio*1	13% or more
			Customer satisfaction with Group Transactions*2	Increase from the Previous Fiscal Year
			Engagement of Group Employees*3	4.0 or above
			Carbon Neutrality (Scope 1 and 2)	Achieved (FY2030)

*1: Basel III finalization basis *2: Measured by “NPS” through customer surveys. NPS: Net Promoter Score [Degree of willingness to recommend the product, service, or company itself to family, friends, or others.]

*3: Overall employees’ satisfaction which is measured as averaged score of the five factors: fulfillment at work, adaptation to work, satisfaction with workplace, satisfaction with superiors, and loyalty to company (on a scale of 1 to 5).

Basic strategies of the 1st Medium-term Business Plan

■ Four basic strategies

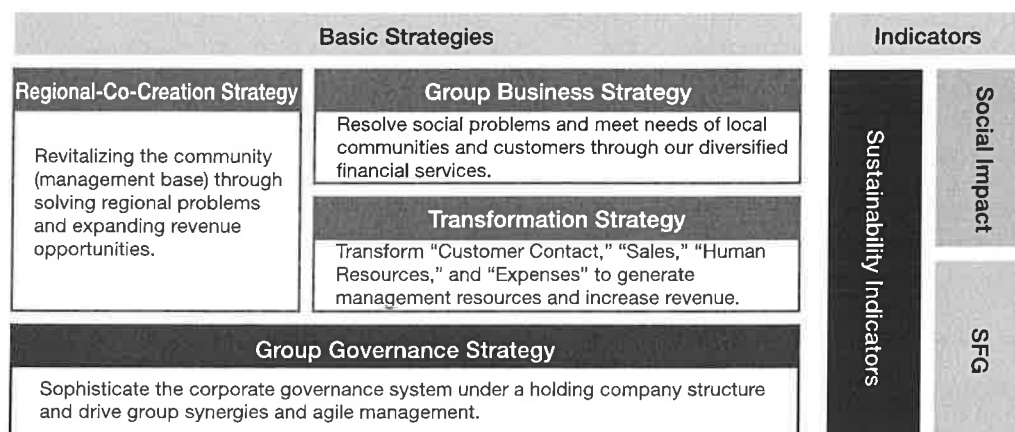
In this section, I would like to present an overview of the four basic strategies of the 1st Medium-term Business Plan.

The “**Regional Joint Creation Strategy**,” our first basic strategy, targets the revitalization of the business base through regional problem-solving to achieve the expansion of the Group’s earnings opportunities. It is not possible for regional financial institutions such as the Group to achieve sustainable growth in the absence of regional economic development. In this strategy, we will leverage our personal networks and

coordinating capabilities to create platforms for each region and issue in collaboration with local governments, companies in different industries, and others.

By solving problems through each platform, we aim to build a “regional ecosystem,” establishing a virtuous cycle where the creation of social value leads to the enhancement of corporate value for the Group. This includes driving an increase in our customers’ corporate value and the lifestyle convenience of all, as well as developing more attractive local communities and boosting the relevant populations.

[Figure 9] Four Basic Strategies in the 1st Medium-term Business Plan



The "**Group Business Strategy**" is our second basic strategy. Through our group functions, we will thoroughly address the social issues and needs of the region and our customers, based on the key words "deepen, expand, and renew." Under the 1st Medium-term Business Plan, we will not only strive for further growth in our existing core business fields for corporation and life planning and so on, but also pioneer new fields across the Group through deepening and expanding their existing business domains by each of our group companies.

For example, our consulting business has always focused on support in the three areas of M&A, business succession, and business restructuring. Going forward, however, we must also increase our support in fields related to regional sustainability, such as decarbonization. Among our initiatives in new business fields, we acquired TJS Co., Ltd. as a wholly-owned subsidiary in February 2023, with the aim of promoting IT and DX and resolving the shortages of human resources at local companies. In July, we went on to establish the Group's first new consolidated subsidiary under the holding company structure, SFG Marketing Co., Ltd. This new company will revitalize the region through the expansion of sales channels, branding, and other services for the region and our customers. We will continue to adapt to changes in the structure of society. We hope to create a social impact and actively increase our businesses to enhance corporate value.

Our third basic strategy is the "**Transformation Strategy**," which is aimed at leveraging digital technology and data to achieve drastic reforms in the four areas of customer touchpoints, sales, human resources, and expenses. For the

sustainable growth of the Group, we must transform our business bases, human capital, and other management resources into an optimal form to achieve our vision for the future, based on the progress of digitalization, the decline in face-to-face transactions, and other changes in the business environment. We will reform the structure of our sales and service channels, including the creation of an environment where customers can complete all their everyday transactions through digital contact points such as apps and websites. At the same time, we will allocate human capital to key fields, enhancing our earning power through our group business strategy while further boosting productivity.

Our fourth and last basic strategy is the "**Group Governance Strategy**," in which we expect the holding company creates the synergies among the Group's companies, allocates the Group's management resources optimally and sophisticates their business activities. The Board of Directors of the holding company, incorporating the diverse insights of Outside Directors, will discuss and refine the Group's policies for addressing the challenges to adapt to social change. Meanwhile, we will proceed with the delegation of authority to the executive division. By engaging in the overall optimization of our business activities with a sense of urgency, as the Group's Chief Officers allocated to each field the Group's integration and enhancement, we aim to maximize the effect of the first three basic strategies.

We will pursue these four basic strategies to achieve both the creation of new social value and the enhancement of corporate value through business growth for the Group.

To Our Stakeholders

■ Towards a Higher Share Value

We regard the sustainable improvement of corporate value and the enhancement of shareholder returns as key management issues. Under our 1st Medium-term Business Plan, we will raise the dividend payout ratio from the standpoint of boosting the attractiveness of our shares, aiming for the co-creation of value with our shareholders. At the same time, we will flexibly implement purchases of treasury stock based on the market environment, including the share price. We have never lowered

our dividends, and we will maintain our approach of progressively increasing dividend payouts, aiming to "**raise the dividend payout ratio to 40% or more by fiscal 2027.**" We also hope to attract new shareholders, especially from within the region to create a virtuous cycle where the value co-created with the region and our customers through our efforts to generate social value is then returned to shareholders in the form of the Group's profits.

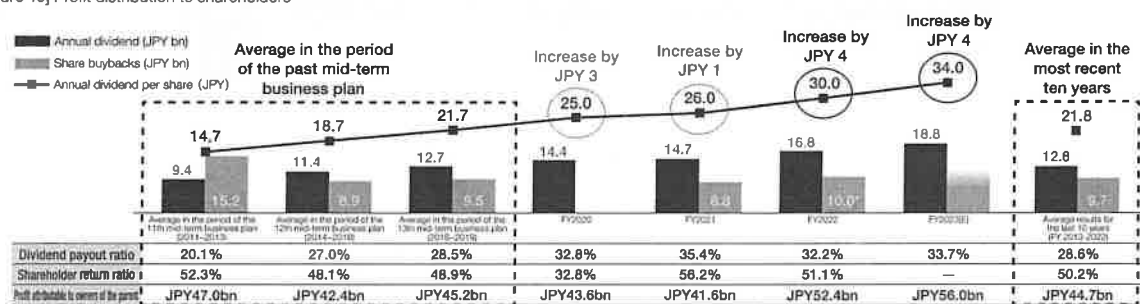
Markets are increasingly focusing on each company's management policy based on the share price and the cost of

capital. Companies are required to make efforts to improve their PBRs, in particular. PBRs are stuck at a low level amid the persistence of monetary easing and other environmental changes in the finance industry. The group has engaged in management with a consciousness of continually growing EPS and BPS from the standpoint of enhancing share value. We will maintain this management policy unchanged as we continue to aim for higher share value, boosting our attractiveness as a company while working to improve our PBR by raising profit levels.

To this end, we will steadily implement our strategies under the 1st Medium-term Business Plan, enhancing shareholder

returns and boosting business profitability to achieve our targets, such as a "dividend payout ratio of 40% or more" and "consolidated ROE of around 6%." We are also aware of the need to continue to show our efforts to grow through and beyond the term of the Medium-term Business Plan. These management strategies are our guideposts to achieving sustainable growth for both the region and the Group. By promoting initiatives that contribute to enhancing corporate value over the medium and long term while steadily addressing the immediate issues confronting us, we aspire to corporate management that is valued by our stakeholders, including future generations.

[Figure 10] Profit distribution to shareholders



[Figure 11] EPS/BPS Trends (Consolidated)



■ Be the Place Where the Future Starts.

"Be the Place Where the Future Starts." We have established this new group slogan to achieve our vision for the future: "a state of sustainability and enhanced happiness for all our stakeholders." We have expressed their relationships with the Group as a "place." This message encapsulates our determination to pioneer a bright future for the region as each individual officer and employee works to co-create value together with our stakeholders.

To achieve our vision, it is vital that we co-create social value with our stakeholders through the 1st Medium-term Business Plan and establish a virtuous cycle where this will lead to higher corporate value for the Group. To this end, it is important to share the same vision and advance together towards our common aspirations for the future. We will work to spread and embed this message. At the same time, we aim to continue our efforts to enable our stakeholders to feel its actual embodiment in the Group.

In closing, I would like to reiterate our commitment to take responsibility in the future of the region and achieve our 10-year Vision: "a corporate group committing itself to the future of the region and producing growth of the region." We will bring together the Group's combined strengths and strive to solve social issues to maximize value for all stakeholders.

I would be grateful for your continued understanding and support in the years ahead.

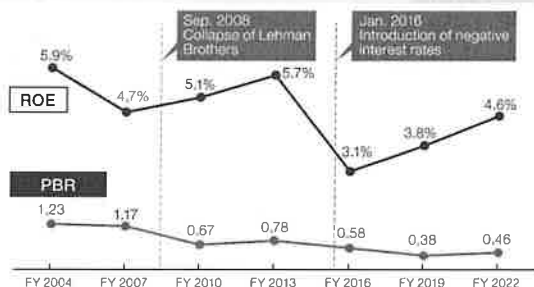
PICK UP

Initiatives to enhance corporate value

The Group is working to improve PBR by lowering the cost of capital and raising ROE with the aim of further enhancing corporate value.

Trends in ROE and PBR

Amid increasingly severe changes in the business environment for the finance industry and low levels of PBR, we have worked to boost ROE through initiatives such as transforming the revenue and cost structure.



PBR Formula

$$PBR = \frac{ROE}{\left(\frac{\text{Cost of shareholders' capital}}{\text{expected growth rate}} \right)}$$

$$ROE \geq \left(\frac{\text{cost of shareholders' capital}}{\text{expected growth rate}} \right) \Rightarrow PBR \text{ of } 1.0 \text{ or more}$$

Initiatives to Lower the Cost of Capital

We aim to lower the cost of capital through deeper dialogue with the market, and by increasing the probability of success of our growth strategies while reducing information asymmetry.

Fuller Disclosure of Information, Including Non-financial Information

- ✓ Reduce the uncertainty of business performance
- ✓ Increase understanding of the sustainability of the region and the Group



Proactive Communication with Shareholders and Investors (IR Activities)

- ✓ Increase understanding of our strategies, including progress on the Medium-term Business Plan
- ✓ Share information of interest to the market in a timely manner and reflect it as appropriate in the promotion of management strategy

Towards a Higher PBR

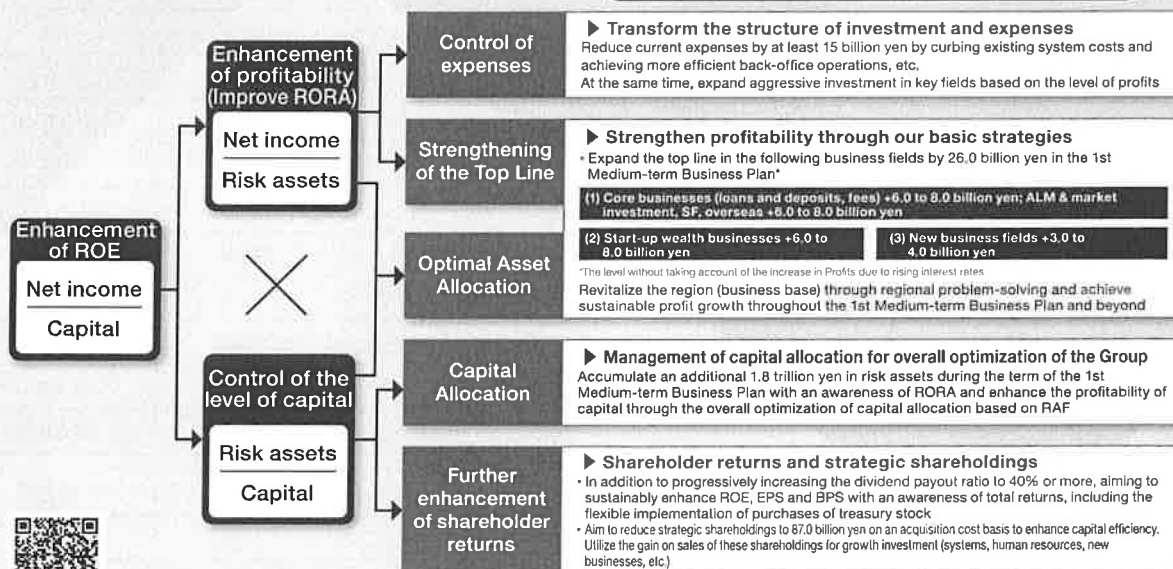
We aim to improve PBR by working to raise ROE through sustainable profit growth while lowering the cost of shareholders' capital.



Approach to enhancing ROE

We aim to enhance ROE by enhancing profitability with a consciousness of the top line, expenses, and asset efficiency, as well as appropriately controlling the level of capital through a balance of growth investment and returns.

Direction in the first medium-term business plan



*For detailed information, please visit our website by scanning the QR code on the left.

CFO Message



We will create new value through financial strategies for the future to achieve sustainable growth for the region and the Group

Hiromitsu Umehara
Executive Officer & CFO

1. Current Performance and Outlook

■ Results for fiscal year 2022

Fiscal year 2022, the final year of the 14th Medium-term Business Plan, we saw the progressive normalization of socioeconomic activity in the wake of the COVID-19 crisis. However, financial management was overshadowed by significant changes in the business environment, such as soaring prices of raw materials and fuel, the Russia-Ukraine situation, and movements in interest rates and foreign exchange rates.

Consolidated gross profit for the Bank increased by 8.7 billion yen year on year on a nonconsolidated basis. Profits from fees and commissions increased, primarily corporate banking-related fees and revenue on customer assets, as did earnings from the Bank's main business, indicated by core gross operating profit, mainly due to an improvement in the net gain on Japanese government bonds and other bonds.

Consolidated ordinary profit increased by 19.7 billion yen year on year and consolidated net income increased by 10.8 billion yen year on year, both rising for the first time in two fiscal years. Profits were boosted by factors such as a decline in sales expenses and credit-related costs and an increase in gain on stocks, in addition to the increase in consolidated gross profit. As a result, we succeeded in raising ROE by 0.8 percentage points year on year to 4.6%.

These results fell short of our target consolidated ordinary profit of 80 billion yen, established when we first formulated the plan, due to the impact of adjustments to our foreign bond positions aimed at maintaining the soundness of our investment securities portfolio and improving net interest income amid market interest rate movements. However, we steadily began to see our initiatives in the problem-solving business come to fruition. These included cash flow support for our customers during the COVID-19 crisis and the provision of integrated consulting functions across the entire group. As a result, we were able to lay out a pathway to stable growth.

Results of FY2022 (Consolidated)

		(JPY bn, %)	
		FY2022	YoY ¹ Increase/Decrease
Gross operating profit		160.2	+8.7
operating expenses (-)		95.9	-1.8
Profit based on the equity-method investment balance		0.4	-1.5
Net operating profit²		65.5	+12.8
Credit-related costs (-)		5.6	-1.2
Gain (loss) on stocks		13.8	+10.2
Ordinary profit		74.0	+19.7
Extraordinary profit and loss		-0.6	-5.2
Net income before taxes		73.3	+14.5
Corporate taxes (-)		20.9	+3.8
Net income³		52.4	+10.8
ROE	Net asset basis ⁴	4.6	+0.8
	Shareholders' equity basis	5.8	+1.1

¹ Consolidated results of the Bank for fiscal years 2021 and before

² Net operating profit = Net operating profit of the Bank nonconsolidated +

Consolidated ordinary profit - Ordinary profit of the Bank nonconsolidated

³ Net income attributable to owners of the parent

⁴ Net income attributable to owners of the parent / [(Total net assets - Subscription rights to shares - Noncontrolling interests)] x 100

2. Financial Targets of the 1st Medium-term Business Plan

Under the 1st Medium-term Business Plan launched in April 2023, we have established four financial targets for fiscal 2027, the final year of the plan: consolidated ordinary profit of more than 90 billion yen, consolidated ROE of around 6%, consolidated OHR of around 55%, and a consolidated CET1 ratio of 13% or more.

■ Consolidated ordinary profit

The Group has established a medium- to long-term profit target of 100 billion yen in consolidated ordinary profit by fiscal 2030. We set our profit target of 90 billion yen for fiscal 2027, the final year of the 1st Medium-term Business Plan, by backcasting from this figure.

To achieve this, in the Group Business Strategy (page 33), one of the basic strategies under the 1st Medium-term Business Plan, we aim to raise the profitability of our existing businesses through initiatives such as stronger market operations management and further growth in the structured finance field, in addition to strengthening our core businesses such as loans and fees income. We also aim to expand our top line (consolidated gross profit) by boldly and actively taking challenges in new business fields while further expanding our

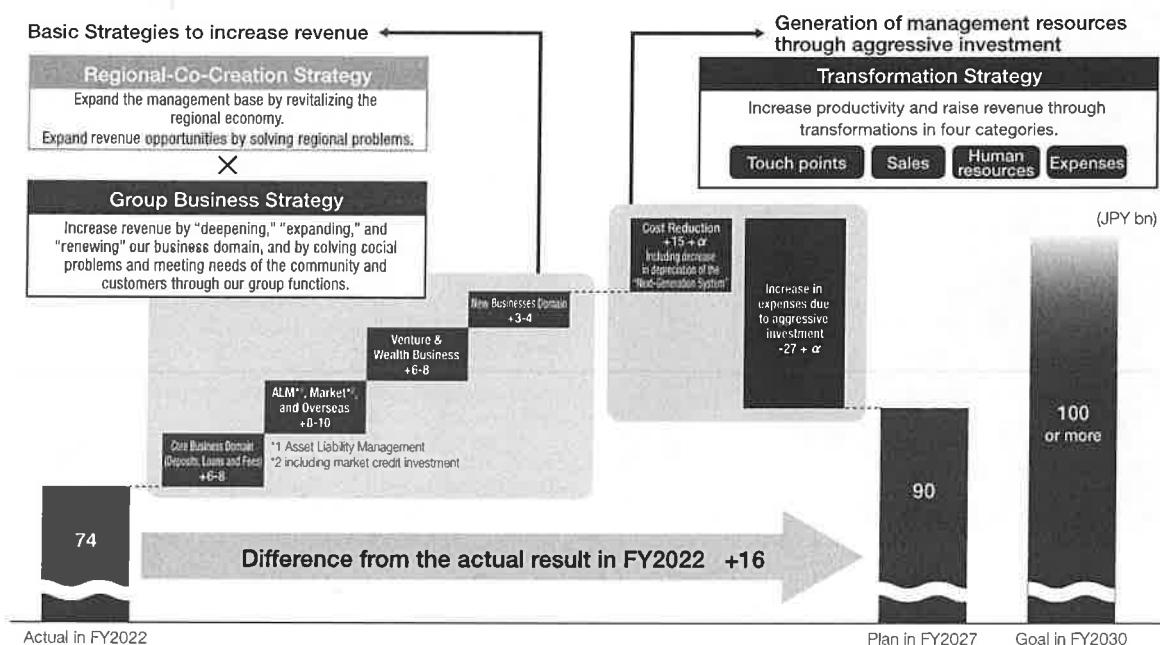
Financial Targets of 1st Medium-term Business Plan

	Indicators	Target for FY2027
Financial Targets	Consolidated ordinary income	More than 90.0 billion yen
	Consolidated OHR	Approx. 55%
	Consolidated CET1 Ratio	13% or more
	Consolidated ROE	Approx. 6%

business domains, including the enhancement of our start-up-related businesses and businesses that support our customers in asset building.

In addition, under our Regional Joint Creation Strategy (page 33) we aim to generate earnings opportunities through regional problem-solving, linking this back to our Group Business Strategy. Under our Transformation Strategy (page 47) we aim to achieve our highest-ever level of consolidated ordinary profit of 90 billion yen and further growth beyond by actively undertaking "aggressive investment" — growth investment for the future.

Roadmap to Consolidated Ordinary Income Target



■ Consolidated OHR

Through strategic investments in anticipation of the digital shift across all transactions and procedures, based on factors such as the progress of digitalization and changes in customer behavior, we will endeavor to optimize our business bases and human capital to further strengthen the Group's management.

Under the 1st Medium-term Business Plan, we will leverage the advantage gained from the launch of our next-generation core system* to implement aggressive investment in IT systems totaling more than 50 billion yen over five years, while progressively reducing operating expenses through BPR and other initiatives. This will enable us to transform our approach to service channels and sales activities to contact with our customers.

When making investments, we will verify the effects of each initiative and appropriately monitor its timeframe, monetary amount, and priority as we proceed. We will review our investments whenever necessary and control the consolidated OHR across all expenses at around 55%, which is an appropriate level.

*With the launch of the next-generation core system, we are able to complete approximately 1.5 times the number of IT system development projects as before, for the same cost and over the same timeframe.

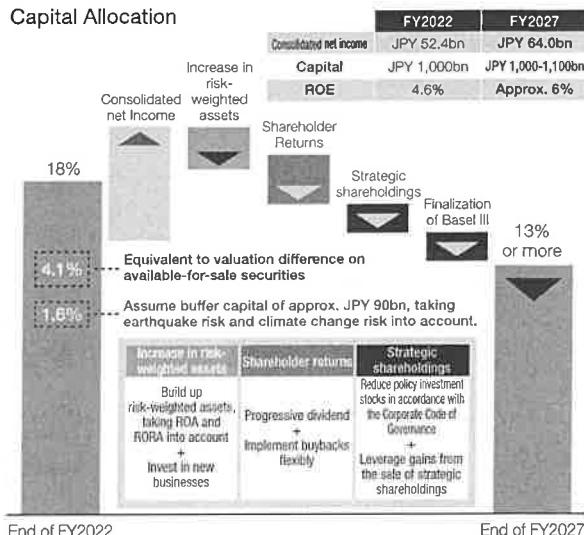
■ Consolidated CET1 ratio and consolidated ROE

We have established a target for the consolidated CET1 ratio of 13% or more, based on a consideration of both capital efficiency and the minimum level of capital required. The minimum capital adequacy ratio under BASEL III, including the capital conservation buffer, is 10.5%. We have set our target at 13% or more to account for factors such as the potential impact of earthquake and climate change risks.

During the five years of our 1st Medium-term Business Plan, while deploying our profits to boost our level of risk assets* and return profits to shareholders, we will also endeavor to shrink our strategic shareholdings. It is our policy to control our consolidated CET1 ratio at an appropriate level, taking into account the impact of the finalization of BASEL III. We aim to accumulate risk assets through the optimized group-wide allocation of capital based on our Risk Appetite Framework (RAF) (page 67), while increasing our capital efficiency with ROA, Return on Risk Assets (RORA), and other profitability measures in mind. By fiscal 2027, the final year of our 1st Medium-term Business Plan, we aim to achieve a consolidated ROE of 6%.

*Risk assets: The value of risky assets such as loans and securities, adjusted for their degree of risk.

Capital Allocation



■ Reducing strategic shareholdings

The Group has established a policy on strategic shareholdings, setting forth its basic policy to reduce strategic shareholdings in accordance with Japan's Corporate Governance Code. We will maintain only those shareholdings deemed meaningful from the three perspectives of "business investment," "strengthening business relationships," and "contribution to the regional economy." To boost capital efficiency, we have set a target of reducing our strategic shareholdings to a total of 200 stocks with an acquisition cost of 87 billion yen during the five years of our 1st Medium-term Business Plan.

Even before now, we have been steadily reducing the number and outstanding balance of these shareholdings on an acquisition cost basis, using the gains from the sale of shares to invest for growth. Under the 14th Medium-term Business Plan of the Bank, we allocated these funds to cover the development costs for our next-generation core system. Under our 1st Medium-term Business Plan, in addition to allocating them to the amortization of this system, we will use them for strategic investment such as in digital transformation (DX), human capital and new businesses linked to our growth strategies.

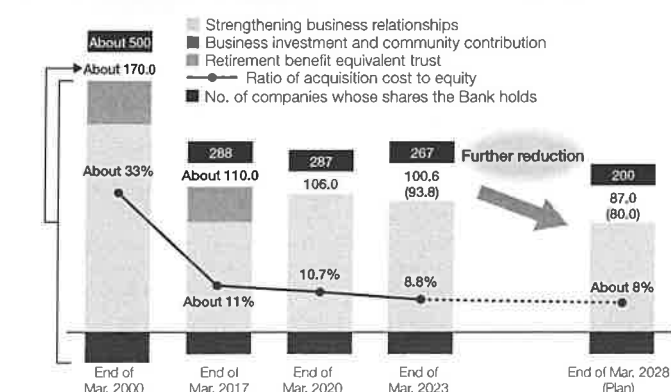
We will make up for the reduction in risk assets due to the sales of these shareholdings by reinvesting funds in highly profitable fields such as start-up-related businesses and private equity investments* to boost our capital efficiency.

*Private equity investments: Investments in companies that are not yet publicly listed or in real estate.

Acquisition cost of strategic shareholdings*1

Figures in parentheses indicate listed shares.

(JPY bn)



Policy on Use of Gain on Sales of Policy Investment Stocks

14th Medium-term Business Plan (2020-2022)

• Allocated to Next-Generation System expenses.
Improve system development productivity by renewing software (applications) that was developed more than 30 years ago. Establish system infrastructure that can easily incorporate advanced technology through open hardware, etc.

1st Medium-term Business Plan (2023-2027)

• Allocate to Next-Generation System expenses.
• Invest in strategic fields such as DX, human capital, and new businesses.
Increase revenue by investing in systems for the next 10 years based on progress in and superiority of the system infrastructure.

3. Outlook for Fiscal Year 2023

For fiscal year 2023, we target an increase in profits, with consolidated ordinary profit of 80.0 billion yen (up 6.0 billion yen year on year) and net income of 56.0 billion yen (up 3.6 billion yen year on year).

The Group will engage in solving the issues faced by the region and its customers to maximize revenue through value creation. Because of the increasingly diverse and complex nature of the issues faced by our customers and the differences between each region and field, we will not adopt a uniform strategy; rather, we will engage in a cost and profit analysis appropriate to each market, making proposals tailored to each customer's characteristics.

Specifically, for corporate customers, we will focus on proposing solutions linked to their sustainability, such as decarbonization, ESG, support for industrial transformation, and business succession. For individual customers, we will actively engage in supporting asset inheritance to the next generation in addition to medium- to long-term asset-building support such as guidance on handling the new NISA system and accumulation-type products.

The incremental growth of each company in the Group, including the Bank, is crucial to achieving our targets. Under the holding company structure, each group company is leveraging its strengths to pursue its growth strategies. At the same time, we are working to boost the combined strength of the Group, boldly and actively taking challenges in new

Projected performance in FY2023

(JPY bn)

	FY2022 (A)	FY2023 (Projected) (B)	YoY (B-A)
Ordinary profit	74.0	80.0	+6.0
Profit attributable to owners of the parent	52.4	56.0	+3.6
ROE	4.6%	5.0%	+0.4pt
OHR	60.2%	58.3%	-1.9pt
CET1 ratio*	18.42% (14.17%)	17.14% (13.44%)	-1.28pt (-0.73pt)

*Actual results for FY2022 and forecast for FY2023 are ratios after the application of the finalization of Basel III.
Figures in parentheses are estimates assuming full application of the finalization of Basel III.

business fields. We will strive wholeheartedly to achieve a positive start in this first fiscal year of our 1st Medium-term Business Plan.

4. Dialogue with Shareholders and Investors

We believe it is vital to disclose and explain the necessary information in a timely and appropriate manner to enable our shareholders and other stakeholders to gain an understanding of our management strategies.

In fiscal year 2022, we had many opportunities for dialogue with shareholders and investors, such as briefing sessions about financial results for institutional investors and analysts, as well as company information sessions for individual investors in the region. This enabled us to gather a wider range of opinions. These forums for dialogue provide very valuable opportunities to gain insights to enhance the corporate value of the Group. The opinions we receive are shared within the

Group, including senior management, and provide a valuable reference for us in pursuing our management strategies.

We will continue to strive to expand our IR and SR activities, further deepening our communication with shareholders and other stakeholders to boost the Group's corporate value.

I would be grateful for your continued understanding and support in the years ahead.

■ IR activities (fiscal year 2022)

We engaged in the following dialogues with shareholders and investors utilizing both face-to-face and online forums.

Briefing sessions for institutional investors and analysts ... 8 times

In addition to biannual financial results briefing sessions, we held small meetings on specific themes, led by the CEO (management strategy), the CFO (quarterly financial results), and the CIO (IT systems strategy).



Individual interviews with institutional investors and analysts ... 98 times

Company information sessions for individual investors in the region ... 3 times
Conferences organized by securities companies (meeting events with overseas institutional investors) ... twice

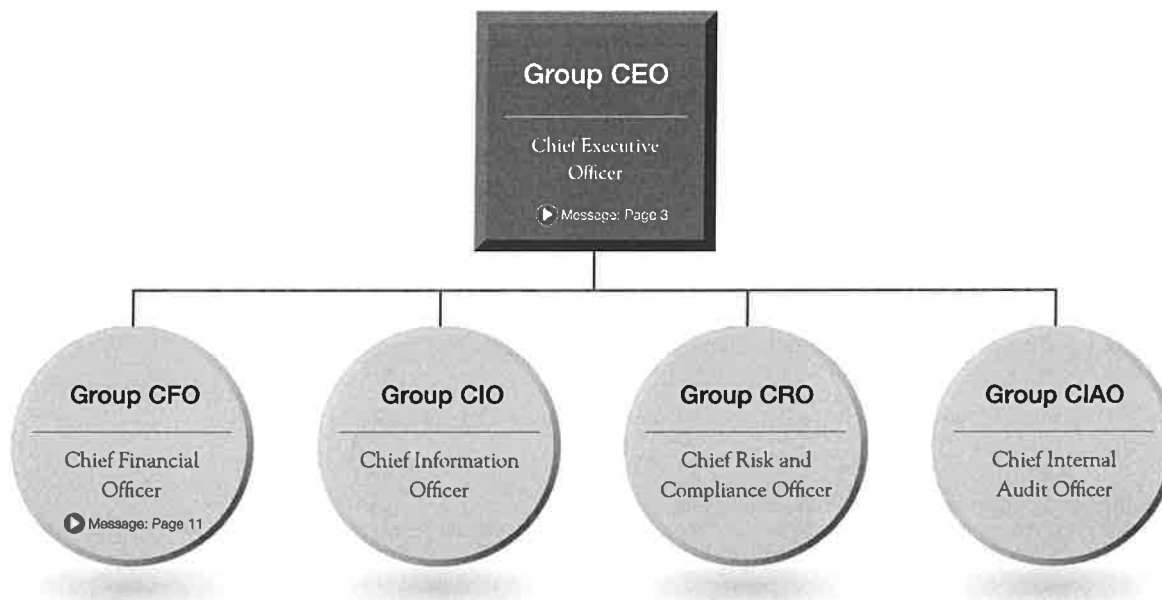
Overseas IR ... twice: Europe & North America (online) and Asia



CxO Messages

The Group has appointed Group Chief Officers (CxO) as the chief executive for each field of business operations.

By clarifying the roles and responsibilities related to establishing the management systems for the whole group, as well as overseeing business execution and keeping it in check, we aim to enhance corporate value from the standpoint of group-wide optimization under the overall leadership of the Group CEO.



Proactive IT investment to accelerate digital strategies

CIO

Motoya Suzuki

For over half a century, the banking industry has engaged in transforming its operations and services using digital technology. Since savings accounts went online in the 1960s, the industry has introduced online foreign exchange, automatic account transfers, ATMs, 24-hour and 365-day operation, internet banking, and other innovations.

Meanwhile, it has been pointed out that this early adoption of digital technology has made it difficult for the industry to adapt smoothly to recent technological trends, leading to inflexible and outdated systems.

The Group has addressed this issue by establishing a medium- to long-term road map and progressively updating to next-generation systems.

The next-generation core system launched in January 2021 provides services for our main banking operations: deposits, exchange and loans. It represents the first complete system renewal after 32 years. In addition to applications (software) updates, it features the first open system architecture infrastructure (hardware, etc.) successfully adopted by a major bank. This flexible and highly advanced system enables high development productivity and speed, as well as compatibility with the latest digital technology.

The shift to digital technology will continue to progress at an ever faster rate, and we must further accelerate our efforts at transformation.

Under the 1st Medium-term Business Plan, we will leverage advanced digital technology to promote measures to provide higher value-added services. These include, for example, completely digitalized transactions and cashless transactions for individuals, as well as expanded contact points and stronger relations with corporate customers. We plan to achieve each measure more effectively and swiftly by making maximum use of the advantages of our next-generation core system, the foundation for these measures.

Due to these proactive digital strategies, we expect to invest a record-high amount in IT during the term of the Medium-term Business Plan.

When making these IT investments, we will adopt the standpoint of overall optimization of the Group. We aim for each group company to achieve its business targets and maximize its results through initiatives such as the prioritization of measures, the optimization of system resources, and more stringent project management.

The utilization of digital technology will be a source of competitive strength for each Group company. By enhancing the digital capabilities of the Shizuoka Financial Group, we will strive to achieve the vision of our Medium-term Business Plan: to be "a problem-solving corporate group creating new value for the future."



Practicing firm and reliable risk management and positive compliance

CRO

Yasuhiro Ogawa

Under the Group's 1st Medium-term Business Plan, we aim to balance the creation of social value and the enhancement of corporate value to achieve our vision to be "a problem-solving corporate group creating new value for the future."

The independence, autonomy, and collaboration of our group companies will be crucial in achieving this. After they make active efforts to seek and capture growth opportunities, organically integrating their management resources within the Group will be the key to maximizing synergies in the process of deepening their businesses. As the CRO, I will oversee the appropriate practice of risk-taking, risk management, and compliance from a cross-functional standpoint across the Group, as we work to achieve the vision of our Medium-term Business Plan.

Regarding risk management, we will firmly manage each type of risks, such as credit and market risks, under the holding company's integrated risk management of the entire group. With the nature of key risks changing constantly, as illustrated by the rise in cyber risk, we have established the New Businesses Review Committee chaired by the CRO within the holding company. The committee deliberates on strategic projects aimed at expanding the scope of the Group's businesses, including aspects such as the identification of risks, the feasibility of controlling these risks, and compliance. Social and economic conditions are becoming increasingly uncertain, both in Japan and overseas. We will be involved in risk

management at each group company to promote their independence, autonomy, and collaboration, and practice effective risk management as a corporate group.

We regard compliance as a key management issue. We focus on activities aimed at reinforcing the importance of compliance, not only complying with laws and regulation but also behaving with a social conscience. An overly negative approach to compliance may delay problem resolution, and can drastically inflate the scale of the problem. In practicing the Ethical Charter (page 65), established as our basic compliance policy, we therefore aim to enhance our organizational self-corrective capabilities by endeavoring to foster an open workplace culture that values communication and a corporate culture where compliance is perceived positively as "doing the right thing," rather than "not doing the wrong thing."

Please refer to the latter part of this Integrated Report for an explanation of our specific initiatives (pages 65-69).

We will promote the practice of effective risk management and positive compliance to enable the Group newly established, through the independence, autonomy, and collaboration of its group companies, to contribute to the region and its customers in this age of uncertainty and together envisage a sustainable future.



Three approaches aimed at improving governance

CIAO

Toru Atsumi

The purpose of "internal auditing" is to evaluate and verify whether each enterprise is accurately identifying and controlling risks arising in the course of its business activities – in other words, whether internal controls are functioning appropriately and effectively – and to encourage efforts toward improvement, leading to better governance as a result.

The banking industry, with its tradition of prioritizing firm and reliable administration, has a long history of emphasizing "inspection." This culture has made it relatively easy for the industry to accept its development as "internal auditing." On the other hand, today, with risks changing due to the expanded scope of operations and the centralization of administrative work, there are limits to the effectiveness of simply checking for clerical errors or rule violations. In response to internal and external environmental changes, internal audit divisions are now required to perform functions such as providing assurance to facilitate management and advice to facilitate management strategies as trusted advisory bodies. Moreover, the Group has grown to include many companies that engage in businesses outside the scope of banking.

When I was appointed Chief Internal Audit Officer (CIAO), I therefore proposed three approaches to the performance of these duties.

The first approach is "more sophisticated internal auditing." While maintaining the conventional, firm stance of "defensive auditing" to reinforce the certainty of defensive governance, we will further promote the study of "aggressive auditing" that contributes to swift and bold management decision-making, as well as internal auditing

methods aimed at making the most of our advisory function, to achieve more sophisticated internal auditing under the holding company structure.

The second approach is a "homogeneous level of internal auditing." Our group companies come from a range of different industries, have different scales, and must deal with different risks. Previously, the internal audit function was also different in each company. Under the holding company structure, we will aim to achieve a homogeneous level of internal auditing across the Group. This includes the upgrade of the internal audit divisions at each group company to ensure the internal auditing function meets each company's risk profile, as well as oversight of the internal auditing function by the holding company.

The third approach is "greater awareness and understanding of internal auditing." Unlike compliance and risk management, there are only limited opportunities for employees to become aware of internal audits in the course of their everyday duties and, in the past, there have occasionally been misconceptions regarding the nature of internal auditing. Under the holding company structure, the Internal Audit Division will actively communicate the attitude and position of internal auditing to the Group's officers and employees. By promoting more dialogue, we aim to improve awareness of understanding of internal auditing.

In this way, we will steadily practice the "Group Governance Strategy," one of the basic strategies under the 1st Medium-term Business Plan, from the standpoint of internal audits.



Dialogue between Chairman of the Board of Directors and Outside Director

Katsunori Nakanishi

Chairman,
The Shizuoka Financial Group, Inc.



Kazutoshi Inano

Director,
The Shizuoka Financial Group, Inc.

Our Target Approach to Governance under the Holding Company Structure and Growth Strategies for the Future

The Group reached a major turning point in October 2022 with the transition to a holding company structure. Chairman of the Board of Directors (the Group's Chairman) Mr. Katsunori Nakanishi talks with Outside Director Mr. Kazutoshi Inano about the approach to governance that the Group should target and its growth strategies as it continues to develop together with the region.

Changes in the operation of the Board of Directors after the transition to a holding company structure

Nakanishi: Mr. Inano, we've known each other for over two decades now. Back when I was the president of the Bank, I remember we often met on the plane during business trips.

Inano: Yes, I think that was the period from around 2002 to 2008. At the time, I was the president of an asset management company. We've known each other since then.

Nakanishi: Back then, I had just begun to steer the Bank towards group management, and I felt I needed some external advice about the collaboration among group companies in banking, securities, and other fields. Then, as we adopted full-fledged group management, you were the first person who came to my mind as a potential member of the Advisory Board* and Outside Director. As it turned out, during the process of considering the structure of the organization and corporate officers we should adopt for the establishment of the Group, you helped me out numerous times from the position of Outside Director.

*A management advisory committee under the President (CEO) aimed at ensuring objectivity and reflecting advanced external approaches in management execution

Inano: The company where I worked previously also transitioned to a holding company structure, and I had experience in establishing a company with committees, etc. I was therefore able to provide opinions, based on my experience and the lessons I had learned, upon the establishment of the Group.

Nakanishi: We have also become a company with an audit and supervisory committee. At the start, we felt a little overburdened. We felt uncertain about whether we had enough experience to do this and whether this structure was really suitable for a holding company. Looking back, however, I think that this structure was the correct choice.

Inano: Now the new structure is in place, we are finding that not only has it led to fewer constraints but also increased the speed and accuracy of decision-making. It has expedited the progress of a whole range of projects. I'm extremely pleased with this sense of urgency and direction. I don't think the Group is pushing too hard, nor is it overstretching itself. According to my rule of thumb, the Group is managing to balance itself just at the right level. Moreover, the fact that the Nomination & Remuneration Committee, although an optional committee, is properly established and functioning will enable the Group to advance to the next stage.

Nakanishi: Looking ahead, we will need to formulate a succession plan for the Group with the help of our Outside Directors. This is not something we can accomplish overnight.

Inano: Yes, I agree. I think it's important to change systems progressively, rather than shifting abruptly from one to another.

Nakanishi: The Group has an executive officer system, so that decisions are made on each individual matter that arises by the executive division, rather than based on the long-term vision such as management strategies. The Board of Directors, through the internal control system, determines whether this execution is appropriate. Officers' evaluation is deliberated by the Nomination & Remuneration Committee, and their remuneration and promotion are based on performance. This is quite different from the case of employees, where evaluation is based on factors such as the level of challenges taken on. I believe that governance will be effective as long as these mechanisms are functioning.

Inano: I think that is the right direction. When people create new mechanisms, they tend to push too hard to ensure the mechanism functions quickly. However, this sometimes shifts the stress onto other areas, causing problems. This is one of the areas where we would generally like to express our opinions as Outside Directors. At the moment, however, there is no need. I feel that the transition is progressing smoothly.

Pursuing synergies among group companies

Nakanishi: By transitioning to a holding company structure, we aimed to separate "supervision" and "execution" as far as possible. Of course, subjective viewpoints are important, but we hope to make decisions incorporating objective perspectives, with reference to the opinions of Outside Directors, as well as industry trends and circumstances. Previously, I remember you expressing the opinion that "if the form of a company with an audit and supervisory committee functions properly, then group companies will naturally become separated." Did you mean "separated" in the sense that it is better for group companies to consider physically separating their offices?

Inano: When making a break with the past and seeking to find or create something new, a "change of mood" is sometimes effective, brought about by physical separation such as different offices.

Nakanishi: In the case of the Group, there is substantial overlap among banking, securities, and the Group's other businesses. This can make it difficult to suddenly separate our group companies from the standpoint of preventing omissions. I think we need to approach this as a phased separation.

Inano: Even as the operations of group companies become more strongly independent, human resources are more optimally allocated from a group-wide perspective. This is a cycle. It's vital to balance this cycle of independence and overall optimization. Experience counts for everything in this case.

Nakanishi: Until now, the Bank was the center of our group, and all of the group companies were subsidiaries of the Bank. Under the holding company structure, Shizugin Management Consulting Co., Ltd., Shizugin Lease Co., Ltd., Shizuoka Capital Co., Ltd., and Shizugin TM Securities Co., Ltd. have become subsidiaries at the same level as the Bank. The independence of each company is crucial for this structure to function properly and generate synergies. The synergies we target can only come about if each group company engages in management that combines "independence" and "autonomy."

Inano: You're absolutely right. The banking business is only made possible by functioning both as a public and a commercial enterprise. We must clear many more regulations than other industries to secure the public nature of this enterprise. However, regulations are imposed by others, not ourselves. If workers get used to this, then it can affect "independence" and "autonomy." I think it is great that, with a horizontal structure among the Bank and other group companies with functions and services that differ from it, the Group can integrate its services to pursue a vision unattainable for other companies.

Nakanishi: I agree that it's important to develop characteristics appropriate to the work of each group company.

Inano: In bank-centered corporate groups, the strong presence of the bank means that the group tends to use the bank's influence to promote the penetration of its other non-banking services. Taken to an extreme, this may represent the



abuse of the bank's dominant bargaining position. Constant dependence on the influence of the bank creates issues such as uncertainty over whether the group can actually provide useful services to customers and whether it can succeed against the competitors. It's vital for each company to attain the skills to grow with independence and autonomy, outside the influence of the bank. In this sense, I think the structure of the Group, with group companies positioned horizontally under the holding company, is extremely meaningful. It will give rise to completely new possibilities.

Towards effective group governance

Nakanishi: What is your view on how we should understand the role of Outside Directors and their relationship with the executive division from the standpoint of achieving effective group governance?

Inano: Ideally, the separation of the supervisory and executive functions should expedite decision-making and the performance of operations by the executive division. However, it's not easy to mark a clear line between supervision and execution in actual discussions by the Board of Directors. For example, even if it is a discussion on execution, the Board may undertake a checking function from a supervisory perspective. It is very difficult to differentiate between executive and supervisory functions within the discussion itself. I think the key point here is the ability to engage in free discussions. I believe it is vital for us Outside Directors to say what is on our minds and freely put words to our thoughts.

Nakanishi: Our Outside Directors possess perspectives from industries outside finance and the viewpoints of the broader public, and it is crucial that we incorporate their opinions into management. I believe that this will invigorate the Board of Directors and ensure robust and effective governance. In that sense, we really owe a lot to you.

Inano: Representing perspectives from other industries is an important element. For the perspectives of Outside Directors to contribute to management decision-making, there needs to be a forum for free communication and Outside Directors need to freely express their thoughts. I feel that the Group's Board of Directors meetings are just such forums for free communication.

Nakanishi: Have you noticed any change in the content or quality of discussions since the transition to a holding company structure?

Inano: In quantitative terms, there are fewer items on the agenda of the holding company's Board of Directors, compared to before the transition. The amount of time available for deliberation of each item, and the number of comments made by Directors, have both increased. This enables extremely thorough discussions, with an increase of time spent on substantial debate on topics apart from matters for resolution and regular reporting.

Nakanishi: The most important thing for discussions is to express different opinions from the same perspective. Going forward, I would like to create opportunities, such as training camps and onsite tours of our group companies, to enable Directors to discuss and exchange opinions in forums other than Board meetings.

Inano: Certainly, Board of Directors meetings shouldn't be the only forum for discussion and the exchange of opinions. I think it's very meaningful to have a variety of forums for the exchange of opinions and communication.

Speedy management through the holding company structure

Nakanishi: About ten months have passed since the transition to a holding company structure in October 2022. During this period, we have launched new businesses, acquiring wholly-owned subsidiaries through M&A and establishing new companies. How do you regard the significance and effects of our transition to a holding company structure, including the sense of speed?

Inano: I think the transition to a holding company structure was extremely meaningful. In particular, whereas it would have been possible for the top management of the holding company to lead the banking subsidiary as well, I felt the strong will of the Group in separating these positions from the very start.

Nakanishi: We were very careful about appointing different top management to clarify the supervisory and executive roles.

Inano: I think it's very meaningful that different missions have been set for the top management of the holding company and the Bank. This simple personnel decision will lead to faster business execution. In fact, it's already begun to do so.

Nakanishi: I'm looking forward to seeing this deployment of human capital bearing fruit.

Inano: Under the 1st Medium-term Business Plan, the Group has established ambitious targets in new business fields, and I feel a strong will power behind this. The profit targets for group companies apart from the Bank have also been set at a higher level than current results, and I think this reflects everyone's awareness. I really hope that everyone perceives this as an encouragement to put in their best performance.

Nakanishi: We designed these targets separately for the expansion of existing businesses and initiatives to challenge ourselves in new businesses. I look forward to seeing each Group company pushing ahead with the plan with speed and confidence.

Management diversity and human capital development

Nakanishi: How do you perceive the Group's management diversity and human capital development?

Inano: First of all, I regard the low number of female officers as an issue with the Group's current state. The key here is building up a list of potential candidates. This process is steadily progressing, and I really hope to see the Group achieve its vision at an earlier stage. I also think that, from the standpoint of appointing diverse officers, there has been good progress made in the diversification of the career paths that potentially lead to the position of officer of group companies or the holding company. It's pleasing that this diversification of career paths has happened as a result of the Group's initiatives so far, rather than a deliberate effort to expand it.

Nakanishi: Greater diversity is the only route to corporate survival. We've been conscious of this issue for some time. We have actively implemented mid-career recruitment and welcomed applications from employees for external secondment, which I see as a way of encouraging diversity.

Inano: Then this has led to greater diversity in potential career paths. In some cases elsewhere, the officers of acquired companies become the top managers of the acquiring company.

Nakanishi: I believe firmly in the need for diversity. In the past, it was important to maintain traditions and follow in the footsteps of our predecessors. Now, it's vital to manage from the standpoint of "backcasting" to identify the human capital needed to build the ideal company. Otherwise, we would not be able to develop our human capital, nor could we collect new human capital. We would be stuck in a cycle where our only choice is to supplement our deficiencies in human capital through mid-career recruitment.

Inano: It seems to me that the Group is one step ahead of other regional banking groups. I think that this is in large part due to the Group's own policy and its capacity to analyze issues. The Group is steadily considering the performance of its human capital a decade or two decades hence. This is true "backcasting."

Nakanishi: I have always thought about whether our current personnel and skill-set would enable us to achieve our aims ten years into the future.

Inano: That's a really crucial point.

Nakanishi: Until now, the Bank's planning division has considered what kind of organization to build and the HR division has worked out the necessary human capital, and developed and assigned it based on this plan. Going forward, the Group will design the future vision for the whole group. In this context, the key will be finding a way to develop the human capital needed to achieve this vision.

Nakanishi: How do you think we should structure officer succession plans?

Inano: It's not easy for us as Outside Directors to accurately evaluate officers and determine whether their positions have a future, no matter how many opportunities we are given to interact with them. There are some elements that cannot be measured quantitatively or expressed in a definite form. In this sense, there is no objectively correct solution to the issue of

succession planning. What's important is to successfully combine the common sense of Outside Directors with the perspectives of the officers and employees who have been working together in the Group.

Nakanishi: To take an extreme example, if ten officers were required and there were only six suitable candidates within the Group in terms of experience and abilities, how would you regard appointing the remaining four from outside the Group?

Inano: It's first of all a question of whether suitable candidates can actually be found outside the Group. This is difficult to answer, as it's not simply a matter of numbers.

Nakanishi: Such cases are rare in Japan, but quite common overseas. What is the cause of this difference?



Profile

Kazutoshi Inano

Born on September 4, 1953. After graduating from The University of Tokyo, Faculty of Law in 1976, he joined Nomura Securities Co., Ltd. (currently NOMURA HOLDINGS, INC.). He was subsequently appointed Executive Vice President of Nomura Securities Co., Ltd. in 2000 and Director, President of Nomura Asset Management Co., Ltd. in 2002. In April 2003, he became Director, Deputy President & Co-CEO of NOMURA HOLDINGS, INC., then Director, Executive Managing Director, Deputy President & Co-CEO of NOMURA HOLDINGS, INC. and Director, Executive Managing Director, President & CEO of Nomura Asset Management Co., Ltd. in June the same year. He was appointed Director, Chairman of The Nomura Trust and Banking Co., Ltd. in 2005, Executive Managing Director, Deputy Chairman of Nomura Securities Co., Ltd. in 2008, and Director, Chairperson, Representative Executive Managing Director of Nomura Asset Management Co., Ltd., Vice Chairman of Japan Association of Corporate Executives, Chairman of The Investment Trusts Association, and Chairman of The Securities Analysts Association of Japan in 2009. In 2011, he went on to become Chairperson of the Board of Directors of Nomura Asset Management Co., Ltd., then Chairman of Japan Securities Dealers Association in 2013, before his appointment as Director of The Shizuoka Bank, Ltd. in 2021 and Director of Shizuoka Financial Group, Inc. in 2022.



Inano: I think it is a labor market issue. It's a difference between an environment where there is a pool of potential senior managers, where human resources are mobile, and an environment where they are not. In the future, management human resources will become even more mobile than today, and there will be more cases where senior company managers leave to take up management appointments in other lines of business. Nonetheless, I believe it will be difficult for this turnover to happen on an everyday basis.

Nakanishi: That's reinforced for me the need to create clear succession plans.

Inano: It's crucial to build up a pool of human resources from a reasonably early stage, on the assumption that there will be some movement in and out of the Group, and to provide potential candidates with an appropriate amount of stimulation and opportunities. Potential candidates will not develop if they are left to their own devices.

Nakanishi: It is important to set forth clear career paths.

The 1st Medium-term Business Plan: Taking the challenge to solve social issues together with the region

Nakanishi: The 1st Medium-term Business Plan, our first since the transition to a holding company structure, was launched in April. Under our previous Medium-term Business Plan, we strove to achieve meticulously prepared target figures. This time, however, we had to adopt a significantly different approach, aiming for purpose-driven management. This consciousness was shared by all members of the management team, and was also endorsed by our Outside Directors.

Governments, companies, and citizens must work to achieve the SDGs adopted at the UN summit in 2015 by 2030. In view of the public nature of the Group, we have included "social impact indicators" among our performance indicators under the 1st Medium-term Business Plan. I feel we need to

engage in even deeper and more extensive discussions with the prefectural, city and town governments, economic groups, and others.

*Indicators designed to measure our impact on social value creation from the standpoint of a regional financial institution (the rate of social change in Shizuoka Prefecture's population, real gross product in Shizuoka Prefecture, and percentage of the reduction of GHG emissions in Shizuoka Prefecture)

Inano: Yes, I agree. Although the Bank has always had a significant presence in the region, up until now it was overwhelmingly perceived not so much to lead from the front as to work behind the scenes in the discussion of social issues. In the future, I think the Group should display its leadership more visibly.

Nakanishi: Other Outside Directors have also expressed the opinion that the Group would do well to demonstrate some more leadership in Shizuoka Prefecture, and we will proceed with this in mind. To be honest, we have generally been a little hesitant to adopt a prominent leadership position in the region, but I feel that we should not maintain this attitude forever.

Inano: I think it's extremely commendable that under the 1st Medium-term Business Plan, the Group has set both social impact indicators and financial targets aimed at enhancing corporate value. The social impact indicators include factors that are out of the Group's control, such as the rate of social change in Shizuoka Prefecture's population and its real gross product, and I feel that this represents a significant declaration of commitment. Fortunately, Shizuoka Prefecture is an extremely attractive region, and ranks highly among the most sought-after prefectures for relocation within Japan. By helping diverse industries and companies to grow and contributing to the creation of employment, the Group can provide more job options for people relocating into the prefecture. I imagine that activities such as these will help the Group to achieve its sustainability indicator targets.

Nakanishi: That was the idea behind the establishment of SFG Marketing* in July this year. We aspire to contribute to building

a rich local community and developing local industries through marketing support for local companies and businesses linked to solving social issues. This is a difficult challenge, but we believe it will lead to higher added value across the region.

**A new company that aims to provide multifaceted solutions to social issues in the region from a marketing perspective to bring about revitalization*

Inano: Everything is born small, but what is important is how it grows – how we nurture it – over a five, ten, or twenty-year cycle. I hope to see this new initiative follow the correct path, even if it seems like a detour. The presence of companies like SFG Marketing and Shizugin Heartful* that create social value is very significant for the region.

**A company that promotes the employment of people with disabilities through the business of making, printing, and binding documents*

Nakanishi: Around four years have passed since we established Shizugin Heartful. Its presence has cultivated a feeling of mutual consideration and compassion among the Group's officers and employees. Its positive psychological contribution has been even more marked than its financial value. It's really made me feel the growth and enrichment of everyone's spirit.

A second home: Striving to contribute to Shizuoka's growth

Nakanishi: Lastly, let me ask you about your aspirations for the future as an Outside Director and what you hope to see from the Group.

Inano: My very first place of work when I joined a securities company in 1976 was Shizuoka. That's almost 50 years ago now, but even back then I was impressed by the tremendous presence of the Bank in the region. It's a really happy thing for me to be able to play a part in the management of the Group based here in Shizuoka, my second home. I hope to be able to

repay Shizuoka's kindness to me by leveraging the experience and insight in group business and holding company management that I gained in my previous works to contribute to the development of the region through the growth of the Group.

Nakanishi: I look forward to your contribution. What are your hopes for the Group?

Inano: I would like the Group to be conscious of the core management philosophy it has nurtured over the years and act in accordance with this philosophy. I would like the Group to be careful, more than anything, of the "temptation of trends." Corporate managers are apt to be overly conscious of trends, and there are innumerable examples of managers being carried away by the latest fad, with undesirable consequences. This tendency was especially marked in the era of Japan's economic bubble. History proves that the senior management of the Bank had the sense and insight to clearly distinguish themselves from the trends of that time, and I think that this demonstrates the existence of a firm and resilient management philosophy.

Nakanishi: I think that corresponds to the Group's corporate philosophy of "expanding dreams and affluence with our community." We mustn't forget that regional financial institutions depend on society for their survival. Persistent and earnest efforts with the hope of regional development will enrich the region and enable the Group itself to grow as well.

Inano: That also links in with what I was just saying about the dual public and commercial nature of the Group's businesses. As the Group pursues its 1st Medium-term Business Plan based on these dual criteria, it's important to maintain a strong awareness of the fact that the Group's commercial success is not possible without the conscious performance of its public function. I hope that by acting with sufficient consciousness of its public role, the Group will further deepen its relationship of trust with the local community and become an indispensable presence in the region. I intend to make a solid contribution as part of this effort.



Message from the Representative of the Shizuoka Bank, Ltd.

Celebrating our 80th anniversary

On March 1, 2023, the Bank celebrated the 80th anniversary of its founding. I would like to take this opportunity to express my sincere gratitude to our customers and shareholders for their unwavering support.

The Shizuoka Bank was established in 1943 through a merger of two banks: The Shizuoka 35 Bank, which was rooted in the national bank and had a solid corporate culture, and The Enshu Bank, which had progressed with many challenging companies in a place where the spirit of challenge has taken root. Going further back, the Bank has 128 predecessors and can trace its roots to the beginning of the Meiji era. The DNAs of both The Shizuoka 35 Bank and The Enshu Bank live on in our sound corporate management and our readiness to take on challenges. We will not forget our gratitude to the local community that has nurtured us and enabled us to grow. We will continue to boldly and actively take on new challenges, aiming to achieve wellbeing for all our stakeholders.

Accelerating the Group's growth as its hub

The transition to a holding company structure in October 2022 has enabled the Group to swiftly increase the range of solutions it offers to address the increasingly complex and diverse issues encountered by the region and its customers. Under the new structure, the Bank has developed its own growth strategies. We are implementing a variety of measures making maximum use of our management resources to maximize performance.

In this context, I believe the Bank's role should be that of a "hub," connecting each group company, and a "promoter," expanding and providing a greater range of solutions to the region.

We will leverage the relationships of trust and social credit that the Bank has built up with the local community and our customers to connect the region, customers, and each group company, strengthening collaboration to solve issues from a standpoint of the question: "what should we do to solve all the issues that face the region?" Moreover, by providing the Group's diverse functions and services to a broad range of customers in the region, we hope to contribute to the creation of social value, bringing about growth for both the region and the Group.

On the launch of the 1st Medium-term Business Plan

In our 1st Medium-term Business Plan under the new group structure, we position "human capital management" at the center of management strategy as we pursue our four basic strategies: the Regional Joint Creation Strategy, Group Business Strategy, Transformation Strategy, and Group Governance Strategy. This approach is based on the belief that the true strength of the Bank lies in human capital responsible for achieving these strategies – the thoughts and passions buried in the heart of each individual officer and employee – which form a key element in the trust placed in the Bank by



Minoru Yagi
President

the local community. As we push ahead with the plan, it is vital that we create environments that maximize the power of our human capital. Rather than controlling, we seek to nurture and encourage this human capital to enhance corporate value and distinguish our presence as a financial institution committed to the region.

We have designed our vision for the future in our management strategy. In our human capital strategy, we aim to maximize the human capital needed to achieve this vision. By linking our management and human capital strategies, we aim to achieve the dual goals of the 1st Medium-term Business Plan – the creation of social value and the enhancement of corporate value – and create a virtuous cycle where individuals can grow together with the organization.

Treasuring our unchanging essential quality

We are a regional financial institution that exists for the local community. This essential quality remains unaltered throughout the changing eras. We will pioneer a sustainable future together with the local community by drawing on this essential quality, striving wholeheartedly to solve every regional issue toward the vision for the region and creating new social value across the entire group.

I would be grateful for your continuing support in the years ahead.

PICK UP

Alliance with Regional Banks

We aim to achieve sustainable growth for both groups and the regions where both the Group and its partner financial institutions are rooted by sharing each other's management resources and regional information and creating synergy effects through collaboration in various fields.



静岡・山梨 アライアンス

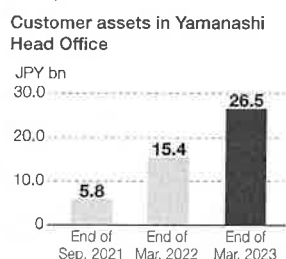
Shizuoka-Yamanashi Alliance

The Bank concluded a comprehensive business alliance "Shizuoka Yamanashi Alliance" with Yamanashi Chuo Bank on October 28, 2020. Aiming at economic development in Shizuoka and Yamanashi Prefectures through cooperation mainly in the area of regional revitalization, both bank groups we are working on a wide range of cooperative measures, including collaboration in the field of securities at the "Shizugin TM Securities Yamanashi Head Office" (the "Office") and holding individual business meetings with clients of both groups.

■ Collaboration in Securities Services

Shizugin TM Securities Yamanashi Head Office, which opened in April 2021, provides value-added products and services to customers in Yamanashi Prefecture and the Tokyo metropolitan area through referrals from Yamanashi Chuo Bank.

As of March 31, 2023, the balance of customer asset in the Office approximately 26.5 billion yen.



■ Initiatives for regional revitalization and active interaction between Shizuoka and Yamanashi Prefectures

We are working to further revitalize the local economy by holding individual business matching sessions with the aim of expanding sales channels and consumption of local products by both groups' clients, inviting tourists from the Tokyo metropolitan and Chukyo areas in cooperation with NEXCO, selling driving plans aimed at revitalizing regional circulation, and promoting sales of local products through participation in product sales events sponsored by Shizuoka Prefecture.



静岡・名古屋 アライアンス

Shizuoka-Nagoya Alliance

The Bank concluded a comprehensive business alliance "Shizuoka Nagoya Alliance" with The Bank of Nagoya on April 27, 2022. Both bank groups have positioned our response to the structural transformation of the automobile industry and other regional industries as our most important theme, and will leverage the management resources of both bank groups to achieve sustainable growth for the region and ourselves.

■ Supporting Industrial Reform

Through collaboration between the Bank's "Industrial Transformation Advisory Project Team" and Nagoya Bank's "Automotive Supply Chain Assistance Office", we are accelerating efforts to support regional industries by organizing supply chains, co-hosting various seminars, and sharing know-how through the exchange of human resources in the field of business revitalization.

■ Established "Shizuoka-Nagoya Alliance Fund"

In June 2023, we jointly established the "Shizuoka-Nagoya Alliance Fund" with the aim of revitalizing local industries and maintaining and creating employment opportunities by solving issues faced by our business partners. Through this fund, we will proactively develop initiatives to solve issues faced by regional companies, such as supporting the business transformation of motorcycle- and automobile-related businesses in the context of "decarbonization" and "EVs."



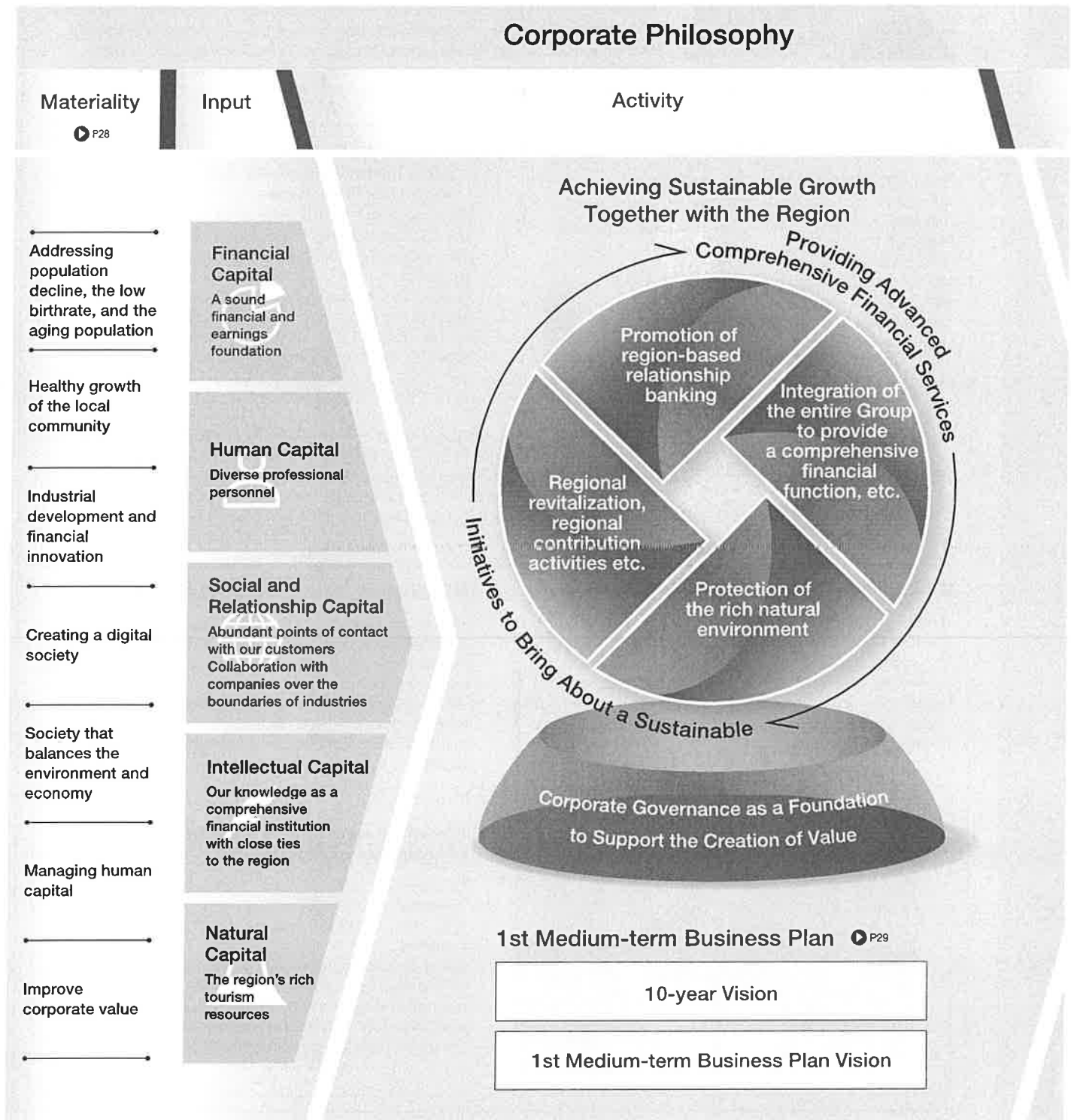
Agreement conclusion by three banks at the time of occurrence of disasters

On March 31, 2023, the Bank, The Nagoya Bank, and The Yamanashi Chuo Bank concluded the "Mutual Support Agreement on Deposit Refunds at the Time of Large Disasters".

A mutual support/cooperation system has been established so that each bank may stably provide financial functions even when large disasters occur. These three banks have also held a joint disaster management meeting and will continue to strengthen cooperation in case of emergency.

Shizuoka Financial Group's Value Creation Process

The Group will develop corporate activities based on materiality in accordance with our basic philosophy, "Expand dreams and affluence with our community". In this way, we aim to both create social value and improve corporate value by providing diverse value to all stakeholders.



Expand dreams and affluence with our community

Outcome

Region

- Sustainable development
- Revitalization of the regional economy
- Realizing a decarbonized society
- Developing a region that continues to attract people and enterprises

Customers

- Problem solving, optimal solutions
- High convenience
- Unshakable trust

Shareholders

- Enhancement of medium-to long-term corporate value
- Highly transparent disclosure of information, including non-financial information
- Proactive discussion

Employees

- Work satisfaction and awareness of growth
- Diverse working styles
- Feeling that we are contributing to the community and our customers

Future

Generation

- Create a sustainable society
- Rich natural environment
- Bright future and hope

Achievement of Sustainability Indicators

P30

Social Value Creation

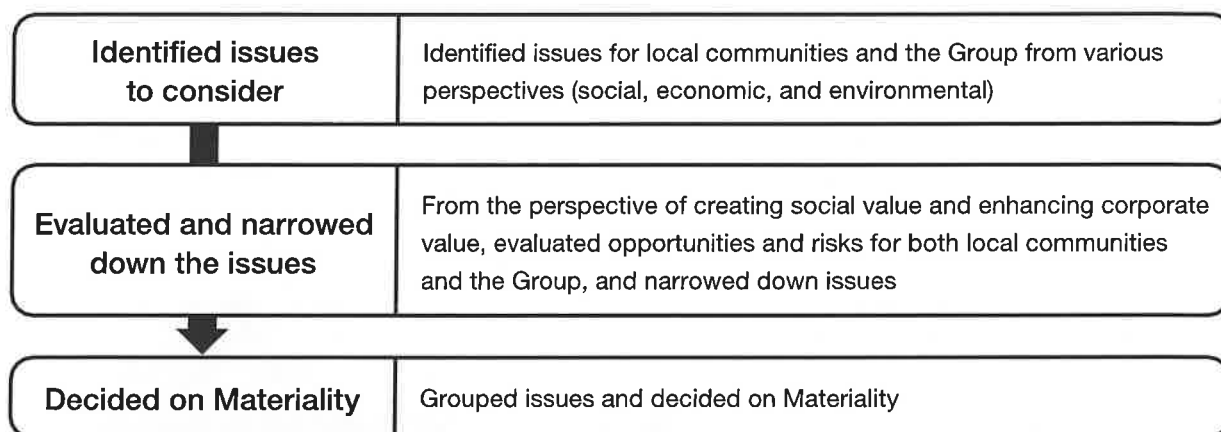


Improve corporate value

Materiality identification process

Identified seven Materiality in social, economic, and environmental themes to create social value and improve corporate value. Created social impact through the resolution of local issues.

Materiality Identification Procedure



Issues to consider

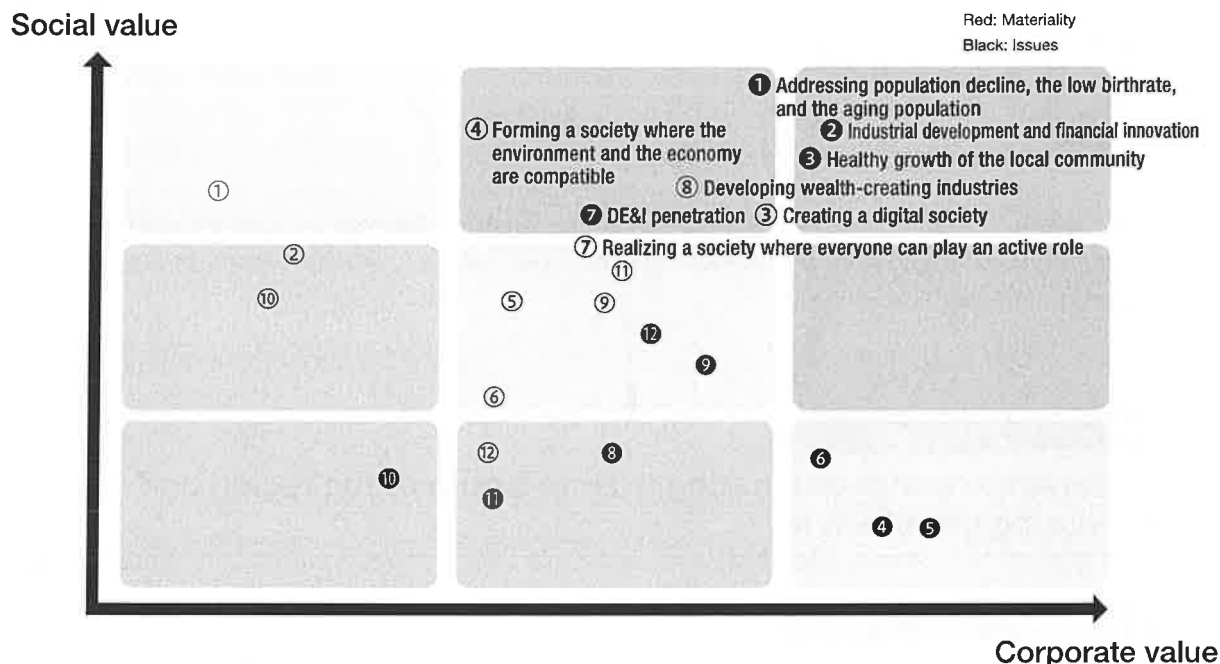
From a social, economic, and environmental perspective, we identified issues for both the regional community and the Group to consider. The community issues were identified based on Shizuoka Prefecture's Action Plan, and common issues in the business areas of the Group and its alliance partners were also identified.

Issues in Shizuoka Prefecture*	Issues within SFG
<ul style="list-style-type: none"> ① Creating safe communities that protect lives* ② Improving medical care and welfare to live with peace of mind* ③ Creating a digital society ④ Forming a society where the environment and the economy are compatible ⑤ Forming a society where children can learn and grow in good health* ⑥ Developing people with talent and virtue ⑦ Realizing a society where everyone can play an active role* ⑧ Developing wealth-creating industries* ⑨ Proposing a variety of lifestyles ⑩ Enhancing transportation networks to increase the region's value ⑪ Enhancing and disseminating the attractiveness of "Fuji no Kuni" ⑫ Expanding exchanges with people around the world 	<ul style="list-style-type: none"> ① Addressing population decline, the low birthrate, and the aging population ② Industrial development and financial innovation ③ Healthy growth of the local community ④ Expanding group business areas (addressing the deteriorating profitability of existing businesses) ⑤ Challenge for new business (revision of the Banking Act) ⑥ DX realization and modernization ⑦ DE&I penetration ⑧ Transformation of the corporate culture ⑨ Providing customer-driven products and services ⑩ Enhancing group governance (group independence and collaboration) ⑪ Dealing with complex and advanced security ⑫ Developing environmentally friendly products and services

* Shizuoka Prefecture New Vision, Late-Stage Action Plan: 12 Policies to embody the Basic Philosophy
 ★ Issues common to Shizuoka, Kanagawa, Yamanashi and Aichi Prefectures

Definition of Materiality

We mapped the issues identified and prioritized issues that are essential to both social value creation and corporate value improvement.



Materiality of Shizuoka Financial Group

We have established business activities and output/outcome for the materiality we have identified, and have set sustainability indicators to contribute social impact. We will monitor the progress of these activities and implement the PDCA cycle to create social value and improve corporate value at the same time.

	Materiality	Business activities	Output/Outcome	Impact
Social	Addressing population decline, the low birthrate, and the aging population	Support the creation of towns that attract people	No. of tourist destinations created	Rate of social change in Shizuoka Prefecture's population (Continuously increasing)
	Healthy growth of the local community	Improve financial literacy in the region	No. of consultations on asset formation	
Economy	Industrial development and financial innovation	Support customer transformation toward a change in industrial structure	No. of cases of support for industrial transformation	Real gross prefectural product (Developing sustainably)
	Creating a digital society	Support regional DX	No. of DX-certified businesses	
Environment	Society that balances the environment and economy	Promote regional development that balances decarbonization and business needs	Amount of environmental financing executed	Penetration of carbon offsets
Employees	Managing human capital	Transform human capital	Creation of problem-solving and value-creating human resources	Employee engagement
Shareholder	Improve corporate value	Increase productivity and revenue through each strategy	Revenue expansion Cost reduction	Profit increase
				Financial targets: Profitability Soundness Effectiveness

The first medium-term business plan [Term of the Plan FY2023–2027]

Crossover Xover

– Clearing the way to a new era

The first medium-term business plan, “Xover(Crossover) - **Clearing the way** to a new era” was formulated based on a backcasting approach to create a vision of the future that we should aim for and a plan to realize that vision.

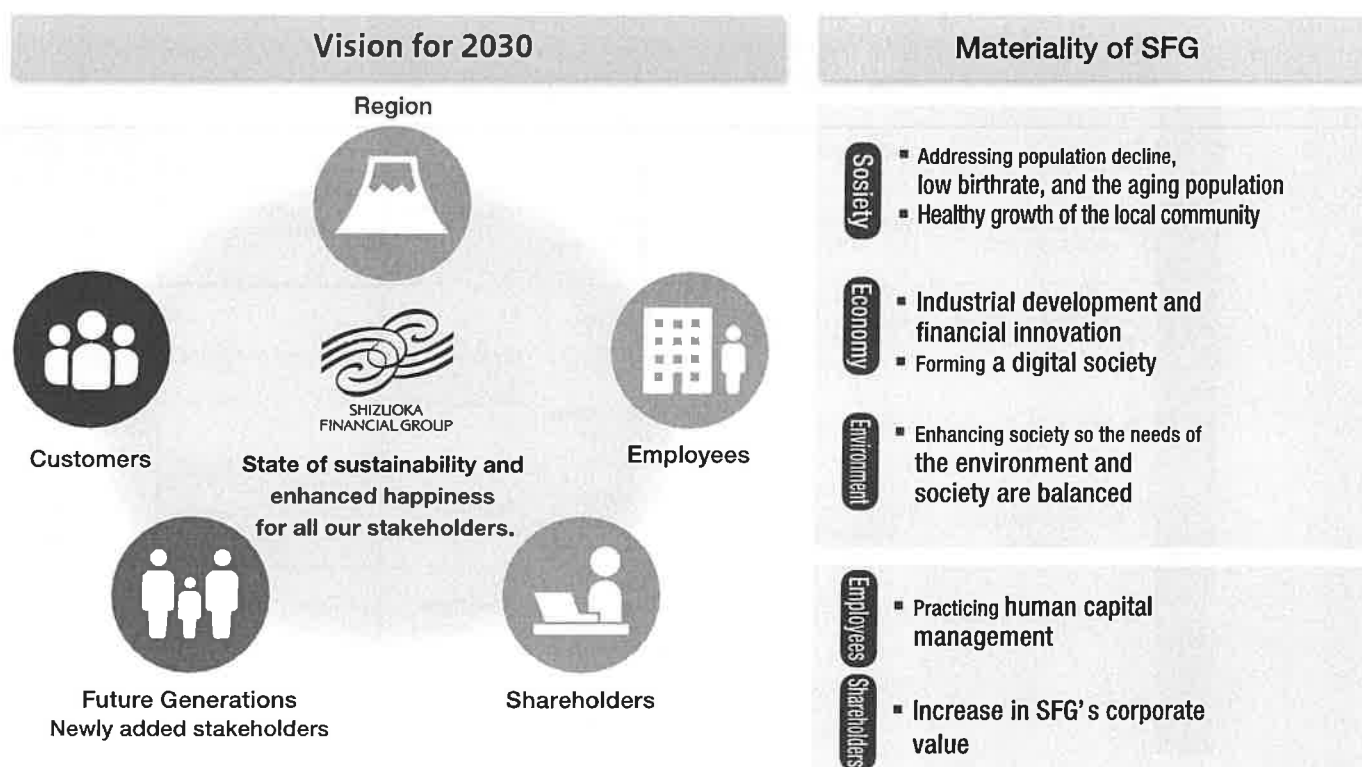
10-year Vision

A corporate group committing itself to future of the region and producing growth in it

1st Medium-term Business Plan Vision

A problem-solving corporate group creating new value for the future

Taking advantage of the transition to a holding company structure, we will further enhance our functions as a comprehensive financial group, refine our ability to solve problems faced by regional communities and customers, and create new value.



Sustainability Indicators

			Indicators	Target for FY2027
Social Value Creation	Social Impact	aim	<ul style="list-style-type: none"> ▪ Rate of Social Change in Shizuoka Prefecture's Population ▪ Real Gross Output in Shizuoka Prefecture ▪ Percentage Reduction of GHG Emissions in Shizuoka Prefecture 	<ul style="list-style-type: none"> » Continuously Increasing » Sustainably Developing » -46% compared to FY2013 (FY2030)
SFG	Financial Targets	Profitability	<ul style="list-style-type: none"> ▪ Consolidated ordinary income ▪ Consolidated ROE 	<ul style="list-style-type: none"> » More than 90 billion yen » Approx. 6%
		Effectiveness	<ul style="list-style-type: none"> ▪ Consolidated OHR 	<ul style="list-style-type: none"> » Approx. 55%
		Soundness	<ul style="list-style-type: none"> ▪ Consolidated CET1 Ratio*¹ 	<ul style="list-style-type: none"> » 13% or more
	Engagement		<ul style="list-style-type: none"> ▪ Customer satisfaction with Group Transactions*² ▪ Engagement of Group Employees*³ ▪ Carbon Neutrality (Scope 1 and 2) 	<ul style="list-style-type: none"> » Increase from the Previous Fiscal Year » 4.0 or above » Achieved (FY2030)

*1: Basel III finalization basis

*2: Measured by "NPS" through customer surveys. NPS: Net Promoter Score [Degree of willingness to recommend the product, service, or company itself to family, friends, or others.]

*3: Overall employees' satisfaction which is measured as averaged score of the five factors: fulfillment at work, adaptation to work, satisfaction with workplace, satisfaction with superiors, and loyalty to company (on a scale of 1 to 5).

Basic Strategies

Indicators

▪ Revitalizing the community (management base) through solving regional problems and expanding revenue opportunities.

Regional-Co-Creation Strategy

Group Business Strategy

▪ Resolve social problems and meet needs of local communities and customers through our diversified financial services.

Transformation Strategy

Transform "Customer Contact," "Sales," "Human Resources," and "Expenses" to generate management resources and increase revenue.

Group Governance Strategy

▪ Strengthen the corporate governance system under the holding company structure to promote our group synergies and to speed up management's decision-making

Improve productivity and expand profit opportunities through each strategy

Sustainability Indicators

Social Impact

SFG



Balance the creation of social value and the enhancement of corporate value

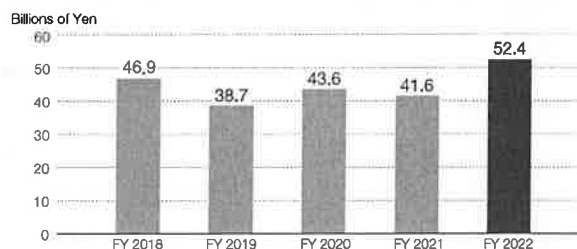
Financial Highlights

Main Items

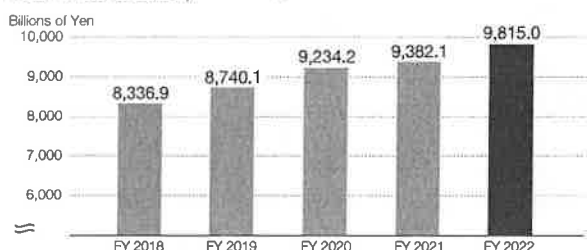
Ordinary profit (consolidated) **74.0** billion yen



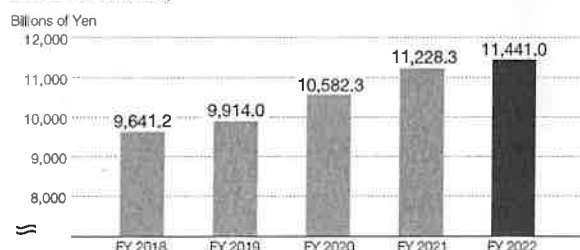
Net profit attributable to owners of the parent **52.4** billion yen



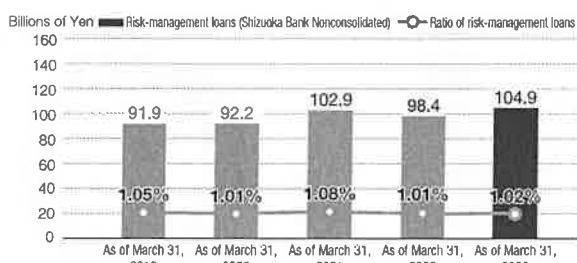
Balance of total loans (average balance, Shizuoka Bank Nonconsolidated) **9,815.0** billion yen



Total deposits (average balance, Shizuoka Bank Nonconsolidated) **11,441.0** billion yen

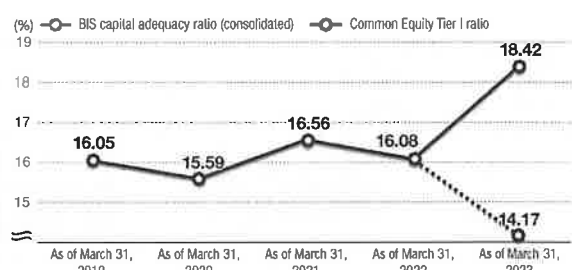


Ratio of risk-management loans (Shizuoka Bank Nonconsolidated) **1.02%**



*Reconcile risk-management loans with loans based on the Financial Reconstruction Act according to revision of Order for Enforcement of the Banking Act since the end of Mar. 2022. Adopt the standard retroactively to the past.

BIS capital adequacy ratio (consolidated) **18.42** (14.17)%



*Preliminary estimate after full application of the Basel III finalization when taking the capital floor, etc. into account (tentatively calculated with the affected value at the end of September 2022)

Credit Ratings (Moody's)

(As of July 1, 2023)

A1

	Long-term rating	Short-term rating
Shizuoka Financial Group		
Rating and Investment Information, Inc.	A+	-
Shizuoka Bank		
Moody's	A1	P-1
Standard & Poor's	A-	A-2
Rating and Investment Information, Inc.	AA-	-

Shareholder return ratio (10-year average, consolidated)

50.2%

Important Items	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2013-FY 2022 (10-year average)
Dividend per share	22.0 yen	22.0 yen	25.0 yen	26.0 yen	30.0 yen	-
Dividend payout ratio	27.6%	32.6%	32.8%	35.4%	32.2%	28.6%
Shareholder return ratio	49.1%	54.9%	32.8%	56.2%	51.1%	50.2%

Non-Financial Highlights (results for fiscal year 2022)

Environment



Reduction in CO₂ emissions by the Shizuoka Financial Group

31.3% reduction in CO₂
(FY 2022 results, compared to FY 2013)



Cumulative amount of sustainable finance executed (of which finance related environment)

461.6 billion yen
(229.7 billion yen)
(Total until FY2022)

Social



Supporting co-creation of companies in the prefecture through open innovation

Total Participants of
TECH BEAT Shizuoka*

33,859

Held online business
talks

1,412 cases

*Forum for business matching between technology start-ups and companies within Shizuoka Prefecture (Total since FY 2019)



Completed **301** cases
of corporate rehabilitation support
initiatives and helped

26,747 people
secure continued employment or
re-employment through corporate
rehabilitation and business succession
support
(Total since FY 2005)

■ Corporate rehabilitation support initiatives: **60**
Number completed: **14**

Governance

(2023年7月現在)

Composition of the Board of Directors

Directors from within
the Company:

5

[5 males]

Outside Directors:

5

[3 males, 2 female]

Representative Directors: 2
Directors not members of the
Audit and Supervisory Committee: 2
Directors who are members of the
Audit and Supervisory Committee: 1

Composition of Audit and Supervisory Committee

Audit & Supervisory Board Members
from within the Company:

1

[1 male]

Outside Audit & Supervisory
Board Members:

3

[2 males, 1 female]



Hosted Shizuoka Kids' Academy

26 times
(Total since FY 2016)



Ratio of women in
leadership positions*

22.6%



Percentage of men
taking childcare leave*

136.3%

*Shizuoka Bank, Shizugun TM Securities, Shizugun IT Solution, Shizugun Business Create, Shizugun Mortgage Service

External Recognition and Endorsement of external initiatives

Certifications related to women's activities

Platinum Kurumin



Certified 4 companies
as those that provide a
higher level of childcare
support than "Kurumin".

- Shizuoka Bank
- Shizugun TM Securities,
- Shizugun IT Solution
- Shizugun Business Create

Platinum Eruboshi



Certified 1 company as
having a higher level of
workplace environment for
women than "Eruboshi".

- Shizugun Business Create

Eruboshi



Certified 4 companies
as having a workplace
environment for women

- Shizuoka Bank
- Shizugun TM Securities,
- Shizugun IT Solution
- Shizugun Mortgage Service

Certified "Health & Productivity

Management Organization 2023" Endorsed The Valuable 500



Certified 3 companies as
excellent corporations engaged
in health management.

- Shizuoka Financial Group
- Shizuoka Bank
- Shizugun IT Solution



Endorsed an
international initiative to
promote the success of
people with disabilities

- Shizuoka Bank

Initiatives for SDGs

Services

Region-based Relationship Banking



- Solutions for Various management Issues
- Smooth Supply of Funds to Companies in the Region
- Meet needs of corporate customers
- Support for overseas business development → P74
- Regional revitalization
 - Coordinate among industry, government, academia, etc. and facilitate the development of businesses that contribute to regional development
 - Hosting the Shizuoka Kids Academy, an event for elementary school children in the region, where they can learn about local history, culture and industries
- Support for business restructuring and turn-around
 - Support business restructuring and turn-around of customers through building business plans, alliances with external agencies, and utilizing business regeneration fund
 - 301 companies completed business turn-around since 2005 and secured local employment for 26,747 people, maintaining a vibrant local economy.

→ P71-73

Cross-industry Collaboration and Support for Start-ups

→ P75-76

New Business Fields

→ P77-78

Life-plan Support for our Customers

- Proposals personally tailored to each individual customer
 - We provide a full range of products and services to meet customers' financial needs for each life event, such as starting work, getting married, giving birth or buying their own home
- Inheritance solutions and asset succession support
 - We present a range of services related to inheritance and advancements, allowing customers wishing for a smooth succession to spend their old age in security

Environment

The Group's Environmental Policy

→ P35

Response to Climate Change (Initiatives to Support the TCFD Recommendation)



→ P36-42

Investment and Loan Policy for Specific Sectors



In April 2021, we established the "Investment and Loan Policy for Specific Sectors (the "Policy")" in order to make prudent decisions on investments and loans that are likely to contribute to negative impacts on the environment and society, and to reduce or avoid such impacts.

The Policy clarifies our resolution that we in principle do not invest in and loan to coal-fired power generation that is considered to have high environmental effect, and our policy against cluster bombs, inhumane weapons manufacturing, palm oil plantation development, and deforestation.

Investment and Loan Policy for Specific Sectors (excerpt) Coal-fired Power Generation

Initiatives for environmental protection, climate change, and sustainable energy are positioned as some of the most important social missions of financial institutions.

The Group actively supports renewable energy projects while not investing in and loaning to new coal-fired power generation in principle.

Support for Regional Decarbonization Initiatives

→ P37

Promote Sustainable Finance

→ P38

Providing environment-related products

→ P39

Achieving carbon neutrality by FY2030 (Scope 1 & 2)

→ P41

Scope 3 (Categories 1 to 15)

→ P41-42

Reducing the Environmental Impact of the Group



As a part of the environmental protection activities, we are working to reduce CO2 emissions in order to mitigate global warming.

- Reduction of energy consumption
- Reduction of paper usage
- Recycling of paper
- Zero emissions
- Green purchasing
 - Prioritize purchase of environmentally conscious products for use as novelties
- Introduction of advanced energy-saving facilities
- Introduction of eco-friendly cars

Reinforcing Employee Efforts to Tackle Environmental Issues in the Community and at Home



We are reinforcing our employees' efforts to tackle environmental issues in the community and at home by conducting an awareness survey on the mitigation of global warming and disseminating information on the environment.

- Small Kindness Movement
 - Voluntary activities, including tree planting, forest maintenance, and clean-ups. Administrative offices are established within a group company to facilitate employees' vigorous involvement.
- Shizugin Furusato* Environmental Protection Fund Charitable Trust
 - Financial support is provided through the Trust to individuals and groups in Shizuoka Pref. that promote environmental protection.

*Furusato = hometown

Social

Diversity, Equity & Inclusion



→ P51-53

Countermeasures against Financial Crime

- Compensation system for victims of financial crimes
 - Compensation for losses attributable to counterfeit or unauthorized use of stolen cards
 - Compensation for losses attributable to unauthorized withdrawals using stolen bankbooks
 - Compensation for losses attributable to unauthorized withdrawals using online banking services
- Various security measures
 - Cash card security measures
 - PIN Code Reset Service on ATMs, issuing of IC cash cards which are difficult to counterfeit
 - Online security measures
 - Implementation of strict personal identification, countermeasure

against phishing and spyware

Sophisticated authentication by the use of one-time password

Development of Human Resources in the Region



- Financial education
 - Organizing bank visits and providing presentations for elementary, junior high, and high school students
- Holding a financial quiz competition for high school students
- Acceptance of interns

Promotion of Culture and Sports

- Holding of concerts featuring leading artists from Japan and abroad
- Holding of performances of rakugo, the traditional Japanese performing art of comic storytelling
- Sponsorship of children's soccer competitions and baseball competitions

Countermeasures against Large-scale Disasters



- Establishment of a system for ensuring business continuity
 - A business continuity plan (BCP) has been established for continuation or early recovery of critical operations in the event of a large-scale disaster or the outbreak of an infectious disease posing a high risk. The BCP is reviewed and updated on a continuous basis.
 - Measures are taken to protect buildings from earthquakes, and private power generation systems, emergency communication equipment, and other materials and equipment for disaster countermeasures are installed.
 - The Emergency Countermeasures Office is located at the headquarters to enable us to assist people in the region in the event of a disaster.
- Countermeasures against tsunami
 - When rebuilding a branch in an area that may be affected by a tsunami, the new building will be designed such that the roof is higher than the expected height of the tsunami.
 - A staircase is installed enabling direct access from outside the branch to the roof so that anyone can use it as a safe haven in the event of a disaster.

Raising Awareness about Human Rights



- Provision of education and training about human rights to new employees and employees at various levels

Governance

Further Strengthening Corporate Governance

→ P59-64

Thorough Enforcement of Compliance and Risk Management

→ P65-70

Countermeasures to Prevent Money Laundering and Provision of Funds to Terrorists

→ P66

Initiatives for the Environment

Based on our corporate philosophy, which aims to “expand dreams and affluence with our community,” the Shizuoka Financial Group protects the rich and comfortable natural environment in our hometown and contributes to the realization of a sustainable society not only by considering the environment in our own corporate activities but also by actively addressing environmental issues through our core business centering on finance in the local community.

Message from an Outside Director

Debate on decarbonization initiatives is gathering pace across Japan. The move towards decarbonization began in earnest in 2020, under Prime Minister Suga. The Kishida government has since worked further to promote green transformation (GX) initiatives. GX is crucial for the preservation of the global environment. At the same time, it is hoped that GX will lead to economic revitalization by encouraging investment and technological innovation.

Financial institutions have a large part to play in this. Regional financial institutions such as the Group, in particular, are expected to play a central role in promoting efforts towards local decarbonization. As part of this movement, the Group is engaging in deeper internal discussions and implementing specific measures to achieve GX. Under the 1st Medium-term Business Plan, we have established the targets for fiscal 2030 of achieving Scope 1 & 2 carbon neutrality and implementing 2 trillion yen in

sustainable finance. We have already started work on achieving these targets.

Of course, the Group is not requested only to take a responsibility to reduce its own emissions. It is also called on to perform the role of a core financial institution in the region, and must consider, as a corporate group, how to approach decarbonization initiatives for the whole region. The Group's Medium-term Business Plan presents a range of impact indicators. In particular, the Group must contribute in various ways to achieving the target for fiscal 2030 of reducing greenhouse gas emissions in Shizuoka Prefecture by 46% (compared to fiscal year 2013). I would like to see a significant contribution from sustainable finance and the Group's other activities as a financial institution.

GX does not simply imply superficial measures to achieve a reduction in greenhouse gas emissions, but it encompasses substantial changes in industrial and economic structures. For Shizuoka Prefecture, where the main industries are automobile-related, the transformation of industry structure is expected to be an especially significant movement. One of the Group's key roles is connecting this transformation with the further development of the prefectural economy, instead of negative movement.

If we expand our perspective to include the transformation of industry structure, we must understand that the various initiatives associated with GX transcend the narrow definition of environmental measures, and they are significant initiatives related to all aspects of economic activity and the transformation of society. In this context, each officer and employee of the Group must be prepared to engage in GX initiatives as key priorities. I would like to see this consciousness and the actions of each officer and employee lead to stronger GX initiatives across the entire group.



Motoshige Itoh

Director

(Member of the Cabinet Secretariat
"GX Implementation Council")

■ Shizuoka Financial Group Environmental Policy

1. Compliance with relevant laws and regulations: We comply with laws and regulations related to the environment. We also take a sincere approach to the requirements from domestic and international guidelines for realization of sustainable society, reflecting it in our corporate activities.
2. Reduction of environmental impact: We strive to reduce our environmental impact by introducing new technologies and renewable energy and promoting energy and resource conservation.
3. Development of products and services: We contribute to realization of sustainable society together with our business partners by developing environmentally friendly products and services. In particular, we will actively support renewable energy projects such as solar and wind power, and our customers' initiatives to decarbonize their operations, thereby promoting the reduction of greenhouse gas emissions.
4. Recognition of climate change risks: We recognize that the impact of climate change will continue to be a management risk for the Shizuoka Financial Group in the future and strive to enhance our risk management and information disclosure. We also set specific environmental targets and work to achieve them.
5. In order to maintain and preserve the rich natural environment and biodiversity, we will strive to ensure that the products and services of our group companies do not have a negative impact on forests and biodiversity.
6. Enlightening activities: We engage in environmental conservation activities as a company, raising awareness of environmental issues among each and every executive and employee of the Shizuoka Financial Group and leading to actions that contribute to realization of sustainable society.
7. Governance: We report to management on the status of our initiatives for environmental conservation and climate change and verify their effectiveness. In addition, we strive to enhance our efforts through repeated communication with each stakeholder.

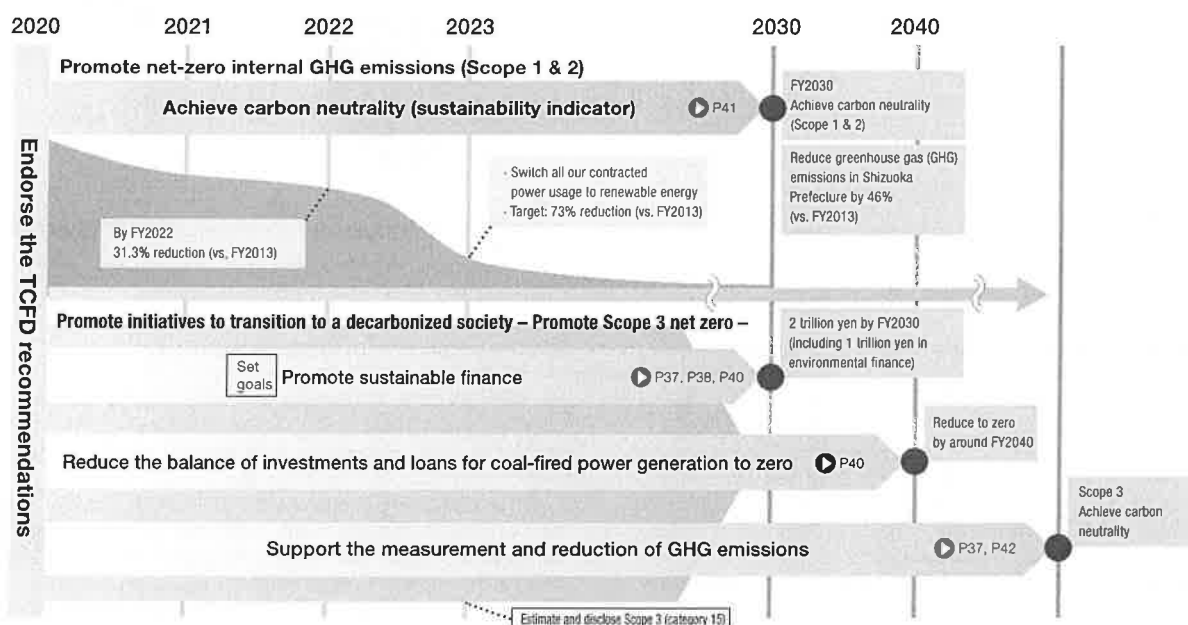
Response to Climate Change (disclosure based on TCFD* recommendations)



The Group has formulated a transition plan to achieve carbon neutrality. In addition to accelerating initiatives to transition the Group and the region to a decarbonized society, we are considering new initiatives in line with the trend of the times. We have established sustainability indicators as metrics for our efforts to create social value as a regional financial institution under the 1st Medium-term Business Plan. The Group will proceed to implement its transition plan and ensure full disclosure based on the TCFD recommendations. Working in concert with the rest of the region, the Group will strive to achieve a decarbonized society.



*Task Force on Climate-related Financial Disclosures



1 Governance

Reinforcement of the governance structure following the transformation to a holding company structure

To achieve the Group's sustainability management after its transformation to a holding company structure, we have established the Environmental Committee and its subcommittee, the Environmental Working Group, including members from the subsidiaries of Shizuoka Financial Group, Inc. (the "Company").

These bodies conduct cross-sectional discussions of policies and measures relating to environmental management, such as our response to climate change, which then pass through the Sustainability Committee (Group Executive Committee) and are submitted for deliberation by the Board of Directors. In this way, we not only aim to ensure good governance to achieve a decarbonized society but also the flexible promotion of highly effective measures.



Establishment of the Shizuoka Financial Group Environmental Policy

With our recognition that the impact of climate change is a business risk for the Shizuoka Financial Group, we established our group-wide environmental policy to clarify our intention to contribute to realizing a sustainable society through our main business.

Each company within the Shizuoka Financial Group will continue its initiatives to improve the precision of its GHG emissions measurements and to reduce GHG emissions while working to realize a sustainable society through its own services.

2 Strategy

Through the Group's main businesses, such as comprehensive financial services and consulting, we will actively support local companies working to achieve the SDGs and contribute to regional sustainability.

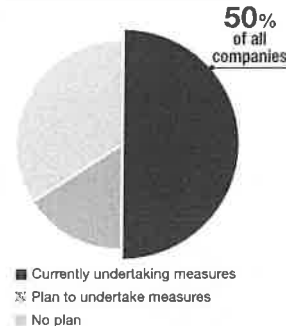
Support for Regional Decarbonization Initiatives

■ Engagement (interview activities)

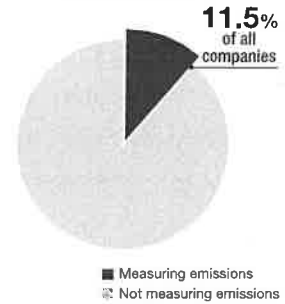
The Group has been conducting a series of interviews regarding decarbonization initiatives with our corporate customers in Shizuoka Prefecture since fiscal year 2021.

In fiscal year 2022, we received responses from 2,282 companies. While the proportion of companies undertaking specific measures rose from 30% to 50% year on year, about nine out of ten companies have not yet started to measure their own GHG emissions. We will continue to reinforce our awareness activities targeting the region and work with local governments and local companies to strengthen our support for decarbonized management, aiming to encourage the formulation and implementation of emissions reduction plans through "measurement."

Companies undertaking specific measures for decarbonization



Companies measuring GHG emissions



*Interview period: From August 12 to September 30, 2022
Interviewees: 2,282 companies with annual sales of ¥1 billion and above

■ Decarbonization trends survey and analysis

In fiscal year 2022, Shizugin Management Consulting implemented a survey and analysis of decarbonization trends among companies in Shizuoka City's First-Round Decarbonization Leading Area. In May 2023, it was entrusted by a group of five cities and two towns in central Shizuoka Prefecture to undertake a viability study for the creation of new Decarbonization Leading Areas. We will strive to promote decarbonization in the region, supporting local governments from the application stage of the selection process for Decarbonization Leading Areas.

■ Collaboration with regional companies

The Bank has entered into an agreement on comprehensive collaboration to support initiatives for decarbonized management with SHIZUOKA GAS CO., LTD. and Suzuyo Shoji Co., Ltd.

Our policy is to fuse together each company's knowledge and expertise to provide partnership-style support for decarbonized management initiatives by local businesses over the medium and long term.

■ Collaboration with local governments

We are working in collaboration with local governments to achieve carbon neutrality in the region. This includes a comprehensive collaboration agreement for carbon neutrality with Hamamatsu City, which we signed in July 2023.

We will contribute to creating a sustainable region by working with local governments, which are best placed to ascertain the issues and characteristics of the region, to expand the range of carbon neutrality solutions offered by the Group, such as support for local companies to measure GHG emissions.



TOPICS

Case Study of Support for Initiatives by Local Companies

—How PIF led a company to begin measuring its CO₂ emissions and disclosing them on its website

The Bank entered into a positive impact finance (PIF) agreement in September 2021 with Nozue Shouten, which operates the ferrous and non-ferrous metal scrap recycling business. Through PIF, Nozue Shouten reaffirmed the vital role of its work in the circular economy. It had already installed solar panels on its factory buildings and actively adopted renewable energy, and the PIF agreement further boosted its awareness of the environment, leading it to begin the measurement of its CO₂ emissions in 2022, in an effort to reduce these emissions. It now discloses these emissions on its website. (Please refer to the Impact Report published by the Group in March 2023 for details of these initiatives.)

Impact Report URL (in Japanese only): https://www.shizuokabank.co.jp/pdf.php/5768/230331_NR_1.pdf

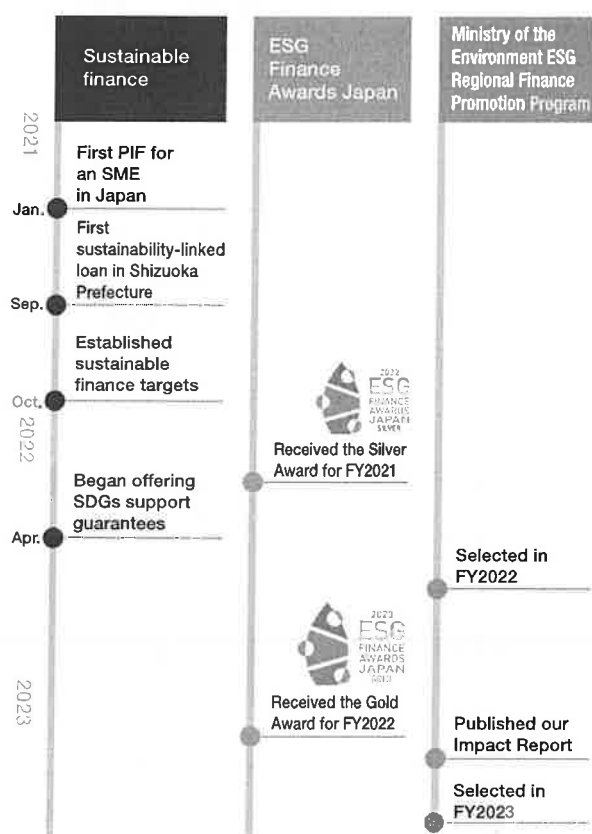
Promote Sustainable Finance

The Group offers a range of services to provide financial support for our customers' ESG initiatives.

In October 2021, we established sustainable finance targets aimed at strengthening these efforts.

	Target amounts by FY2030	Target amounts for FY2022	Results for FY2022	Cumulative results up to FY2022
Sustainable finance	¥2,000 billion	¥115.0 billion	¥348.3 billion	¥461.6 billion
(of which, environment-related finance)	¥1,000 billion	¥57.5 billion	¥175.0 billion	¥229.7 billion

Our history of promoting sustainable finance



Main sustainable finance initiatives

Positive Impact finance (PIF)

Support for initiatives based on the results of a comprehensive analysis of their environmental, social, or economic impact

Sustainability-linked loans

Loans based on the establishment of KPIs and SPTs* as targets compatible with ESG and SDGs strategies, linked to lending conditions dependent on the achievement of SPTs

*SPTs: Sustainability performance targets

Green loans

Support for initiatives to achieve a low-carbon, recycling society, with loaned funds only available for use in projects that have a positive impact on the environment

Social loans

Support for initiatives to create a positive social impact, with loaned funds only available for use in projects that contribute to solving specific social issues

SDGs support guarantees



- Developed jointly by The Shizuoka Bank and the Shizuoka Credit Guarantee Association
- Encouraging initiatives for SDGs/ESG-focused management through simple evaluations based on dialogue with customers and implementing partnership-style support

Selected for the Ministry of the Environment ESG Regional Finance Promotion Program for two consecutive years

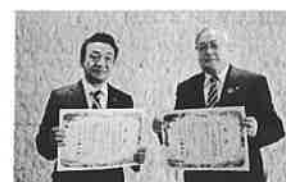
[Name of projects selected]

FY2022: Establishment of impact visualization and impact measurement and management (IMM) frameworks in the region

FY2023: Formulation of joint KPIs linked to both the enhancement of corporate value and the creation of social value

Awarded in the indirect finance category of the ESG Finance Awards Japan for two consecutive years

In fiscal year 2021, we received the Silver Award in the indirect finance category of the ESG Finance Awards Japan, held by the Ministry of the Environment. This was followed in fiscal year 2022 by the Gold Award. These awards recognize our broad range of initiatives to support companies promoting efforts to address the SDGs through PIF, the ESG Regional Finance Promotion Program, and the development and penetration of SDGs support guarantees, as well as the flow-on effects of these initiatives in the region.



■ Scenario analysis

We implement scenario analysis (comprehending the risks related to climate change and their impact on our credit portfolio) to understand the impact of climate change on the Group.

The Group perceives climate change risks in terms of transition risks and physical risks. We estimate each of these risks in our scenario analysis.

In fiscal year 2022, we added the electric power industry to the subjects of our analysis of transition risks and further deepened our analysis for the automobile and accessory parts manufacturing industry. Regarding physical risks, we added SMEs and housing loan customers in Kanagawa Prefecture and Tokyo to our analysis.

The risks associated with climate change for the Shizuoka Financial Group, as identified through the scenario analysis, are as follows.

1. Transition Risk

Industry	Electricity Energy	Paper manufacture	Manufacture of motor vehicles and their accessories
Scenario	IEA net zero by 2050 (NZE2050) NGFS Net Zero 2050		IEA / ETP2017Beyond2°C NGFS Net Zero 2050
Method	Analyze changes in credit costs based on scenarios, using carbon tax and other forecast data to project changes in profit/ loss and financial position by 2050		
Analysis Result	[Increase in credit cost] Up to approximately JPY18.8bn in total by 2050		

2. Physical Risk

Scope of coverage	Calculate credit costs related to risk of damage for building and business continuity for SMEs in Shizuoka Pref, Kanagawa Pref, and Tokyo	Calculate building damage costs and credit costs for mortgage borrowers in Shizuoka Pref, Kanagawa Pref, and Tokyo
Scenario	RCP8.5 in the IPCC WGII AR6 (4°C Scenario)	
Method	Analyzes the risk of inundation in the event of flooding by overlaying business and collateral location information with hazard maps	
Analysis Result	[Increase in credit cost] Up to approximately JPY14.8bn by 2050	

■ Providing environment-related products

We donate part of the costs saved from accounts without a passbook and the interest from specified time deposits to the FUJISAN Fund* and other causes as an initiative for environmental conservation through financial services. For customers who wish to contribute to environmental conservation and regional revitalization through their investments, we also offer investment trusts and other vehicles that incorporate an ESG perspective in all their investment assets.

Shizugin ECO Accounts

We provide two products – Online General Accounts opened without a passbook and WebWallet Internet branch accounts – as Shizugin ECO Accounts.

We donate part of the costs saved from accounts without a passbook to charity. Since fiscal year 2021, the Bank and The Yamanashi Chuo Bank have made joint donations to the FUJISAN Fund based on the number of new accounts opened without a passbook, under the "Shizuoka Yamanashi Alliance."

73% of the new accounts opened in fiscal year 2022 were ECO Accounts, and we jointly donated approximately ¥2.7 million.

Investment Trusts

Global ESG Balanced Fund — Nickname: Blue Earth

This product, offered by Shizugin TM Securities since fiscal year 2020, incorporates ESG perspectives into all the assets it invests in, to enable it to contribute to environmental conservation and regional revitalization. The Bank also began offering this product in fiscal year 2022.

In addition, we have launched an initiative to donate part of the trust fees for this product to Shizuoka Prefecture.

■ Proportion of new accounts opened that are ECO Accounts (fiscal 2022)



*FUJISAN Fund:

This fund is operated by the National Council on Fujisan World Heritage, a certified NPO. It is used for conservation activities and related awareness activities aimed at preserving the Mt. Fuji World Heritage site for the future.



3 Risk Management

■ Climate change-related risk management

The Group classifies the risks arising from climate change based on the TCFD recommendations. We anticipate transition risks and physical risks for each category, as shown in the table below.

We will appropriately manage and review these considering the impact of climate change, based on the characteristics of each risk.

Risk category	Transition risk	Timeline	Physical risk	Timeline
Credit risk	The risk of an increase in credit-related costs for the Group due to a deterioration in customers' business performance arising from changes in policy, regulations, technical development, and other changes in the business environment	Short and mid-long term*1	The risk of an increase in credit-related costs for the Group due to a deterioration in business performance resulting from damage to customer assets or the destruction of social infrastructure from storm and flood damage, etc. or due to damage to assets held as collateral by the Group	Short and mid-long term*2
Market risk	The risk of a decline in the price of strategic shareholdings, funds, and other assets held by the Group arising from changes in policy, regulations, technical development, and other changes in the business environment		<ul style="list-style-type: none"> • The risk of a decline in the price of strategic shareholdings, funds, and other assets held by the Group arising from a deterioration in customers' business performance from storm and flood damage, etc. • The risk of a decline in the price of securities and other assets held by the Group due to market participants adopting a pessimistic view of economic growth in the wake of storm and flood damage, etc. 	
Liquidity risk	The risks of a deterioration in the Group's credit ratings due to the perception that it has not responded adequately to transition risks, resulting in limited access to market funding		<ul style="list-style-type: none"> • The risk of an outflow of deposits due to the immediate cash needs of customers affected by storm and flood damage, etc. • The risk that large-scale, widespread storm and flood damage, etc. will disrupt financial markets, making it difficult to procure funds from the market 	
Operational risk	The risk of losses from litigation brought against the Group by stakeholders and damage to its reputation resulting from its inability to respond appropriately to decarbonization		The risk of damage to buildings and other assets held by the Group due to storm and flood damage, etc., and the consequent risk of a suspension of business operations	

*1 Short term: Impact of movements in energy prices on customers' business performance; Mid-long term: Impact of introduction of carbon tax, regulations, etc. on customers' business performance

*2 Short and mid-long term: Damage to collateral values and changes in customers' business performance due to expansion in the scale and frequency of floods

■ Investment and Loan Policy

We determine whether or not to redeem investments and loans that may affect the environment and society, with reference to our credit policy.

We have established our Investment and Loan Policy for Specific Sectors, which articulates that in principle we do not fund coal-powered electricity generation due to high environmental impact, in order to strengthen our efforts to achieve sustainable growth and a decarbonized society in the region.

4 Indicators and goals

Sustainable finance of 2 trillion yen (Cumulative amount executed by FY2030)

We have set a target to execute a cumulative total of 2 trillion yen in sustainable finance by FY2030. We have executed a cumulative total of 461.6 billion yen in sustainable finance as of FY2022.

Reduce the balance of investments and loans for coal-fired power generation to zero (by around FY2040)

We have set a target to reduce the balance of investments and loans for coal-fired thermal power generation to zero by around FY2040. The balance of investments and loans for coal-fired thermal power generation at the end of March 2023 was 15.9 billion yen, or 0.12% of total outstanding credit.

Rated "B-" based on the CDP climate change questionnaire

We received a rating of "B-" in the climate change questionnaire implemented by CDP, an international NGO that rates and certifies companies' environmental strategies and initiatives.

■ Achieving carbon neutrality by FY2030 (Scope 1 & 2)

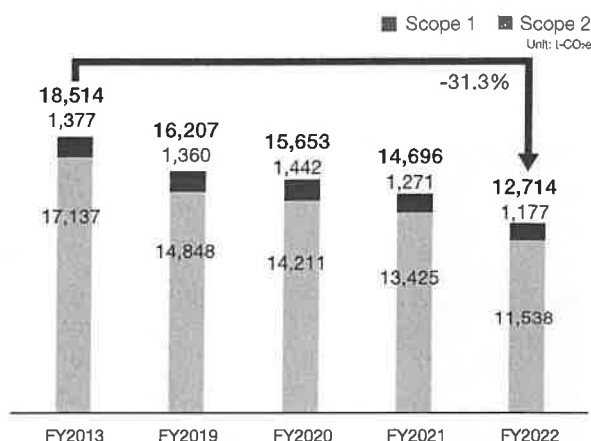
The Group has set a target of carbon neutrality (Scope 1 & 2) by FY2030 to accelerate our efforts to achieve a decarbonized society for the region.

To achieve our sustainability target under the 1st Medium-term Business Plan of reducing GHG emissions in Shizuoka Prefecture by 46% (compared to FY 2013) by FY2030, we are leading the region in the introduction of energy conservation and renewable energy.

GHG emissions (Scope 1 & 2) of the Group in FY2022 were 12,714 tons (-31.3% compared to FY2013) due to the introduction of renewable energy at the Headquarters and Training Center.

In FY2023, we expect to reduce emissions by approximately 70% compared to FY2013 due to the progressive switch of our contracted power usage to renewable energy, in addition to power generation from renewable energy at the Shizugin Solar Park, scheduled to begin operation in October.

Trend in the Group's GHG emissions



*We have expanded the scope of measurement in line with TCFD guidance, in addition to the scope stipulated under the Act on Rationalizing Energy Use.

■ Scope 3 (Categories 1 to 14)

We recognize the importance of reducing GHG emissions from other companies related to our business activities (Scope 3) in addition to GHG emissions from the Group's own business activities (Scope 1 & 2) in order to achieve a decarbonized society, and have therefore measured emissions in each category.

Items measured		Emissions in FY2022
Category 1	Purchased goods and services	30,426
Category 2	Capital goods	23,022
Category 3	Fuel- and energy-related activities	2,031
Category 4	Upstream transportation and distribution	Included in Category 1
Category 5	Waste generated in operations	99
Category 6	Business travel	560
Category 7	Employee commuting	1,469

*1 Categories 8 to 12 and Category 14 are not applicable and have been excluded

*2 The measurement of Category 13 excludes Shizugin Lease

Measurements include all of the Group (excluding overseas representative offices and overseas subsidiary).

Items measured		Emissions in FY2022
Category 8	Upstream leased assets	Excluded*1
Category 9	Downstream transportation and distribution	
Category 10	Processing of sold products	
Category 11	Use of sold products	
Category 12	End-of-life treatment of sold products	
Category 13	Downstream leased assets	0*2
Category 14	Franchises	Excluded*1

Unit: t-CO₂e

Installation of "Shizugin Solar Park" (off-site corporate PPA)

Aiming to achieve carbon neutrality, the Shizuoka Bank Group has decided to newly build a energy solar power plant, "Shizugin Solar Park," in Shizuoka City.

This is an off-site corporate PPA* with Chubu Electric Power Group to introduce renewable energy with additionality (the effect of encouraging new capital investment in renewable energy).

*An abbreviation for "Power Purchase Agreement," which refers to the purchase of electricity from a power generation facility located offsite in a remote area.

Outline of the Shizugin Solar Park

- Start of operation October 2023 (scheduled)
- Off-Site Corporate PPA Agreement
Date of conclusion May 20, 2022
Concluding party Chubu Electric Power Miraiz Co.
- Annual power generation amount:
approx. 2,900,000 kWh/ year (panel output: 1,995 kW)
- Location: Miho, Shimizu-ku, Shizuoka City
- Installer Chubu Electric Power Co.
- Site area: Approximately 23,000 square meters
- Amount of GHG emission reduction:
1,100 tons per year (estimated)



Groundbreaking ceremony on March 1, 2023



Scheduled completion drawing

■ Scope 3 (Category 15)

We estimated GHG emissions associated with the Bank's corporate loan transactions (Scope 3 Category 15), based on the PCAF Standard^{*1}. We will continue to support our corporate customers to reduce their GHG emissions through the Group's comprehensive financial services and consulting work.

Estimation results (classified by the 18 industry sectors used by the TCFD)^{*2}

Carbon intensity: t-CO₂e/¥ million; Emissions: t-CO₂e

Industry sector	Carbon intensity	Emissions ^{*3}	Industry sector	Carbon intensity	Emissions ^{*3}
Beverages	0.33	2,919	Oil and Gas	9.80	2,737,911
Agriculture	6.73	47,461	Coal	3.32	12,659
Packaged Food and Meats	0.82	219,806	Electric Utilities	11.99	246,061
Paper and Forest Products	2.28	594,780	Metals and Mining	12.24	4,550,676
Air Freight	—	0	Chemicals	3.32	269,714
Passenger Air Transportation	4.75	15,080	Construction Materials	0.11	1,017
Maritime Transportation	9.81	170,359	Capital Goods (construction, etc.)	0.34	71,341
Rail Transportation	1.12	28,271	Real Estate Management and Development	0.02	199,539
Trucking Services	2.73	416,065	Other	0.67	2,216,874
Automobiles and Components	0.20	121,704	Total^{*4}		11,922,235

Formula

$$\text{Carbon intensity} = \sum \left(\frac{\text{GHG emissions by each corporate customer}^{*5}}{\text{Net sales of each corporate customer}} \right) \div \sum \left(\text{Net sales of each corporate customer} \right)$$

$$\text{Emissions} = \sum \left(\text{GHG emissions by each corporate customer}^{*5} \times \frac{\text{attribution coefficient (loan balance/corporate customer's total financing)}}{\text{attribution coefficient (loan balance/corporate customer's total financing)}} \right)$$

^{*1} The measurement method for Scope 3 Category 15 published by PCAF (the Partnership for Carbon Accounting Financials: an international partnership that developed the world's first standard method for GHG emissions measurement in the investment and loans portfolios of financial institutions)

^{*2} The results of measurement may vary considerably in the future due to factors such as increases in the number of companies which measure and disclose emissions owing to support for decarbonization initiatives, as well as changes in measurement standards and industry sector classifications

^{*3} Including Scope 1 & 2 emissions for our corporate loans customers

^{*4} Excluding customers for which the data necessary for estimation could not be collected as their fiscal years had not concluded or for other reasons (coverage: 96.4%)

^{*5} Calculated based on factors such as the net sales of corporate customers and the emissions coefficients provided by PCAF, with the exception of part of Metals and Mining, which was calculated based on the figures published by the relevant company

■ Carbon-related assets

We ascertain the balance of loans for carbon-related assets to gain a quantitative understanding of climate change risks.

The table below shows the balance of carbon-related assets associated with corporate loans by the Bank and their proportion of total loans.

Sector	Energy	Transportation	Materials and Buildings	Agriculture, Food, and Forest Products	Total
Proportion	2.33%	8.05%	14.09%	4.30%	28.77%
Balance of loans (¥ billion)	234.2	810.0	1,417.8	433.0	2,895.0

[Notes] "Energy" includes Oil and Gas, Coal, and Electric Utilities

"Transportation" includes Air Freight, Passenger Air Transportation, Maritime Transportation, Rail Transportation, Trucking Services, and Automobiles and Components

"Materials and Buildings" includes Metals and Mining, Chemicals, Construction Materials, Capital Goods (construction, etc.), and Real Estate Management and Development

"Agriculture, Food, and Forest Products" includes Beverages, Agriculture, Packaged Food and Meats, and Paper and Forest Products

Initiatives to Implement Human Capital Management

In order to continue to embody our corporate philosophy in the midst of drastic changes in the environment surrounding local communities and customers, it is important to change the awareness and behavior of each and every officer and employee who supports the Group. In the 1st Medium-term Business Plan, we promote initiatives for the “Co-Growth of Individuals and Organizations” and aim to “Create Social Value and Improve Corporate Value at the Same Time”.

Organic linkage between management strategies and HR strategies

In our management strategy, we will develop a future-oriented vision of what we want the Group to aim for, and in our human capital strategy, we will maximize the human capital needed to realize this vision. By linking the two strategies together, we aim to increase the feasibility of management strategies and to enhance the superiority of our human resources.



Initiatives to achieve our vision

1. Human Resources System for establishing autonomy, challenge, and diversity
2. Optimize Human Resource Allocation and Training
3. Penetration of DE&I*1 to maximize human resource value
4. Culture & Wellbeing Innovation*2

*1 Diversity, Equity & Inclusion

*2 Initiatives to encourage an internal corporate culture to realize the vision aimed for in the 1st Medium-term Business Plan

TOPICS

Held a dialogue focused on “Human Capital Management.”

We invited two leading experts in human capital management to hold a dialogue on the topic of human capital management at the Group.



at the Group.

This dialogue was held as part of the training program (P46 Sustainability training program) for executives and employees to realize human capital management.

During the dialogue, the participants exchanged opinions on the Group's initiatives, including the personnel evaluation system consisting of OKR and Value, as well as the penetration of corporate culture and its vision for the implementation of human capital management.

The dialogue is posted on the Group's website.



QR code for the homepage is here. →

Initiatives to achieve our vision

To maximize human capital, we will implement human capital management from the four perspectives of personnel system, human resource allocation and development, DE&I, and employee engagement, to close the gap between the current situation and our vision.

1. Human Resources System for establishing autonomy, challenge, and diversity Join each employee's dreams and actions with the corporate vision

- Renewal of personnel evaluation system**
 - ◆ OKR
 - ◆ Three Values
- Operate and establish a personnel system**
 - ◆ 1-on-1 Meeting
 - ◆ Utilize Intra-company Social Media "Cheer"Chat"
 - ◆ Personnel Evaluation System Satisfaction
- Ensure employees understand and embrace the First Medium-Term Management Plan**
 - ◆ Initiatives
 - Social Impact Roadmap, My Sustainability Book, Sustainability Training Program, Town Meetings
 - ◆ In-house venture system

2. Optimize Human Resource Allocation and Training

Develop and operate a human capital portfolio plan to achieve the strategy

- Develop leaders who can create a vision**
 - ◆ Executive academy
 - ◆ Encourage active participation in outside opportunities
- Develop value-creating human resources and further improve problem-solving skills**
 - ◆ Targets for the Human Resource Portfolio
 - ◆ System to Certify Intra-company Qualification
- Expand the scope of learning**
 - ◆ Shizuoka Financial Group Open College (Liberal Arts)
- Initiatives for Career Autonomy**
 - ◆ My career design system
 - ◆ Support for Career Autonomy
 - ◆ Value-up, Meet-up program

3. Promote DE&I to maximize human resource value Multiply diverse values and personalities

- Initiatives for women's active engagement**
 - ◆ Women's active engagement
 - ◆ Promote male maternity leave
 - ◆ Reduce the wage gap between men and women
- Initiatives for DE&I**
 - ◆ Diversification of human resources
- Initiatives for Respecting Human Rights**
 - ◆ Establishment of Human Rights Policy
 - ◆ Initiatives for LGBTQ
 - ◆ Supporting the Success of People with Disabilities
 - ◆ Eradication of Harassment

4. Culture & Wellbeing Innovation Promoting autonomous and flexible work styles, Enhancement of employee engagement

- Promoting autonomous and flexible work styles**
 - ◆ Support for Balancing Work and Personal Life
 - ◆ Promotion of Health Management
 - ◆ Major Initiatives for Health Management
 - ◆ Various benefit programs
- Initiatives to increase the engagement of each employee**
 - ◆ Dialogue with executives and employees
 - ◆ labor-management dialogue
 - ◆ Strengthening human capital investment initiatives
 - ◆ Changes in Engagement Indicators

Initiatives for Human Capital Management in the 1st Medium-term Business Plan



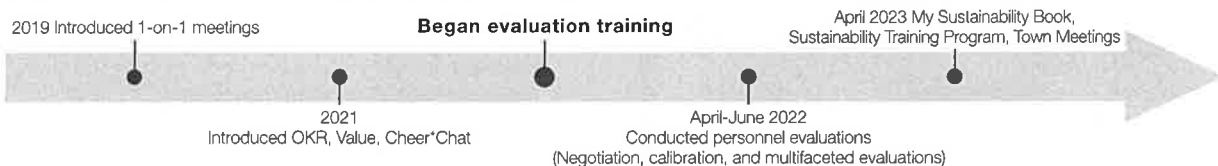
In the 1st Medium-Term Business Plan, which started in April 2023, human capital management is positioned as an important management strategy, and four basic strategies are being developed. We will aggressively invest in human capital, from human resource development and education to DE&I, benefits and health management, to realize the dreams and wellbeing of each and every employee.

1. Human Resources System for establishing autonomy, challenge, and diversity

In order to continue practicing daily actions consistent with our corporate philosophy, we have introduced a personnel evaluation system consisting of "OKRs" and "Values". By setting forth challenging and attractive "dreams" and "ideal states" as OKRs that will bring happiness to all stakeholders, and by aligning the vector of everyone's thoughts with management vision, we aim to take on the challenge of autonomous change that will open up the future of the region.

Renewal of personnel evaluation system, Operate and establish a personnel system

We have introduced various systems step by step for the fundamental revision of the personnel evaluation system. In order to deepen employees' understanding of the new personnel system and ensure that it takes root, "evaluation training" is conducted every year in conjunction with the introduction of the OKR system.

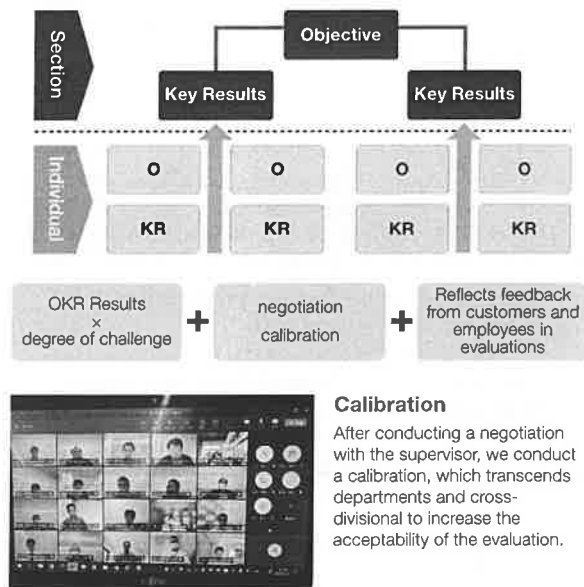


OKR

We have introduced OKR in FY2021 and operated as shown on the right. OKR is an evaluation system that is composed of Objective and Key Results, and is not biased solely toward performance targets. Each team and each officer and employee has a dream or vision that they want to realize for their stakeholders as an "O". They also set "KR" at the moonshot level toward that ideal, and are evaluated not only the degree of achievement, but also the attitude of challenge.

In the OKR setting, we provide opportunities for a flat and free exchange of ideas in order to align the organization and the individual with what they want to achieve.

In the personnel evaluation process, in addition to the negotiation between the evaluator and the evaluated, and the implementation of calibration that goes beyond the department and branch to the block/area unit, etc., multifaceted opinions such as those of customers and employees are reflected in the evaluation. The feedback is carefully shared with each other, leading to behavioral change by each and every employee.



Three Values

In order to realize our corporate philosophy and group vision, we have established three keywords, "Value," as the value standards that we should embody in our daily actions, and we encourage our executives and employees to act in accordance with these values by communicating them to each other.

Go Wild !

A state of repeated "learning from challenges and failures" with "ambitions for change"

Be Innovative !

A state of ongoing "self-reformation" that aims for creation from disruption through repeated "search for knowledge".

Do Collaboration !

A state of continuous creation of "added-value through collaboration" with "flat relationship" where opinions are freely exchanged.

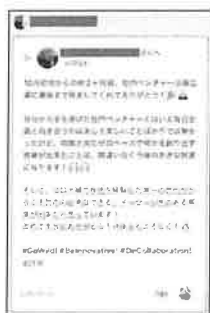
1-on-1 Meeting

We have introduced 1-on-1 meetings to foster a culture of human capital development through communication between supervisors and subordinates, and by extension, through the revitalization of communication within the workplace. We aim to deepen the relationship of trust between supervisors and subordinates, and to create an organization where subordinate thinks and acts on his or her own by allowing them to lead 1-on-1 meetings. In FY2022, we introduced the Naname, Yoko-Shita 1-on-1 Meeting to create opportunities for dialogue that transcends divisions and positions in order to promote autonomous growth through new insights that are not bound by the division to which one belongs or the relationship between supervisor and subordinate.

Utilize Intra-company Social Media "Cheer*Chat"

We have introduced "Cheer*Chat," an intra-company social media for executives and employees to express their appreciation and praise to each other on a daily basis, in order to foster a culture of mutual recognition.

The hashtag function is also used to spread the "Value" and to manage subordinates.



Personnel Evaluation System Satisfaction

In the employee engagement survey, "satisfaction with the evaluation system" improved following the revision of the personnel evaluation system in FY2021. We will continue to improve the system through training and 1-on-1 meetings to ensure the system's penetration among employees.

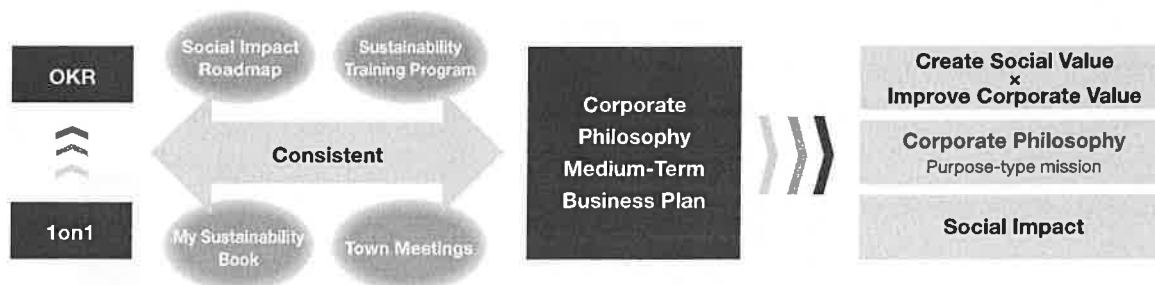
Trends in satisfaction with the evaluation system

Shizuoka Bank Nonconsolidated		FY 2020	FY 2021	before/after revision	FY 2022
evaluation item	The personnel system is operated in a way that encourages people to take on challenges without excessive fear of failure.	2.94	3.12	+0.18	3.20
	In practicing the corporate philosophy, the personnel system is operated to evaluate fairly.	3.10	3.13	+0.03	3.18

Introduced OKR

Ensure employees understand and embrace the First Medium-Term Management Plan

In the 1st Medium-Term Business Plan, which started in FY2023, we aim to achieve a state in which all stakeholders are sustainable and their well-being is improved. In order to ensure that all employees understand the concept of the Medium-Term Business Plan and to further disseminate the plan, the following measures are being implemented.



Initiatives

Social Impact Roadmap	In order to penetrate within the Group the concept of the 1st Medium-Term Business Plan, which aims to both create social value and improve corporate value, we have formulated a map that organizes the linkage between daily operations and social impact for each operation.
My Sustainability Book	Introduced a booklet to learn about the concept and background of the 1st Medium-term Business Plan, to understand the corporate philosophy and management strategy, and to connect one's own dreams with daily actions. The booklet is also used in 1-on-1 meetings.
Sustainability Training Program	Provide training to deepen understanding of Purpose Management, SX Management, and the use of My Sustainer Book, which form the basis of the concept of the 1st Medium-Term Business Plan.
Town Meetings Starting in fiscal year 2023	This program provides an opportunity for direct dialogue between management and employees in order to deepen understanding of the corporate philosophy and management strategy, as well as to foster an awareness of co-creation and a culture that is necessary for sustainable growth.

In-house venture system (Implemented the 1st program in FY2021-2022)

In order to encourage "autonomy and challenge" and "learning from mistakes," and to link the awareness of change to action, we have established an "in-house venture system" for employees to create their own business ideas and work toward their realization. We will continue to foster an corporate culture of challenge through internal ventures, and link this to new measures and business innovation in the future.

Grand Prize

- Digital securitization of whiskey casks by using security tokens

Excellence Award

- Financial service for foreign employees
- Services for companies celebrating their anniversary
- Entrusted business at whistle-blowing windows of external companies

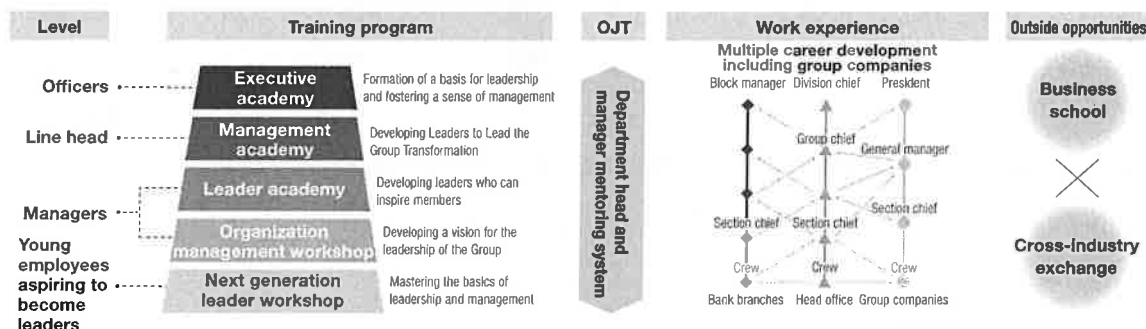
No. of applications 59 entries 1 Grand Prize and 3 Excellence Awards



2. Optimize Human Resource Allocation and Training

Develop leaders who can create a vision

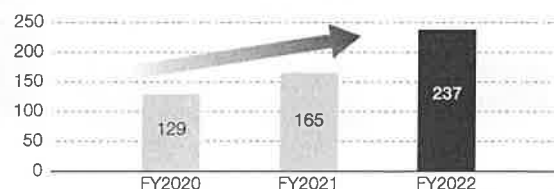
We provide education and develop human capital for the future in a planned manner. In addition, we provide opportunities to build new human networks and enhance “perspective and knowledge” of executives and employees as well as to encourage their autonomy and challenge by letting them interact with human capital outside the Group, such as at business schools, as part of the “External Interaction” program.



Executive academy (Started in FY 2022)

The “Executive Academy,” the highest level of leadership education, was newly established in FY2022 to form the basis of leadership and foster a sense of management through discussions in various fields based on themes such as liberal arts, governance, ethical issues, and current trends. In addition to our management team, we create opportunities to receive essential learning from leading instructors in their respective fields.

No. of training program participants



Hideto Matsushita
Shizuoka Bank
General Manager
of Business
Promotion Dept.

At the Academy, I was able to think and relearn about various qualities and themes required of management personnel, including liberal arts, through lectures by lecturers active in a wide range of fields and discussions with executives from group companies. At a time of rapid change and VUCA, companies are required to make prompt and optimal decisions in all aspects of their operations. In my future work, I will always be conscious of capturing the essence of things and finding guidelines for my own decision-making, and I will continue to actively and boldly take on new challenges in order to gain new experience and learn in various fields.



Kaori Higashijima
Shizugin Heartful
President

During the 8 sessions of the Academy, I had the opportunity to learn from renowned lecturers in a wide range of fields. Although it was difficult to read the assigned books carefully and complete the assignments in advance, I was exposed to books in fields I would never have picked up before and had many stimulating experiences and insights through discussions with the other participants in the class. I was able to broaden my thinking by learning about diverse viewpoints, and the learning opportunities that led me to delve deeper into the lectures were very valuable experiences. I would like to continue learning so that I can see everything from a bird's eye view.

Encourage active participation in outside opportunities

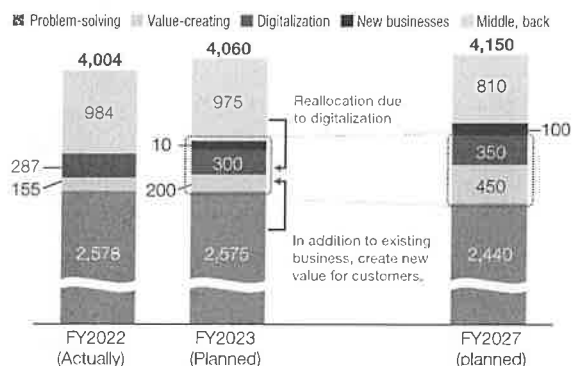
Major Curriculum

Nikkei Executive Governance Program, Waseda University Top Management Training, Senior Management Course, Nomura Management School (Management Strategy Course for Women Leaders, Digital Strategy Course for Managers), Keio MCC Business Core Program, Greater Todai Juku(The University of Tokyo), 5G/IoT Design Girl, WiL 1-Day Design Thinking Workshop, Boot Camp, etc.

Develop value-creating human resources and further improve problem-solving skills, Expand the scope of learning

By further refining the transformation into a problem-solving corporate group that was promoted in the 14th Medium-Term Business Plan, and by working to increase the value of each and every employee and to optimize the allocation of human resources, we aim to realize the goal of the 1st Medium-Term Business Plan of becoming a "problem-solving corporate group that creates new values for the future".

Targets for the Human Resource Portfolio



Digital Human Resources

that can use cutting-edge technology

Professional expertise acquisition

Trainees outside the bank
46 persons in FY2022

Practical skill acquisition

Side-jobs at relevant divisions of the headquarters
10 persons in FY2022

IT literacy improvement of the whole group

As of the end of March 2023 IT passport acquirers: about 1,000 persons

Value-creating Human Resources

Human resources that realize the creation of regional value by leveraging expertise and networks

Development area

IT/DX support medical care and health decarbonization wealth business venture firm establishment

Professional expertise acquisition

(External training, research at graduate schools, etc.)

Practical skill acquisition

(Dispatch to external enterprises, side business, etc.)

Establishment of a new certification system

Problem-solving Human Resources

that can co-create and solve issues in cooperation with customers

Professional expertise acquisition

Improvement/expansion of internal training

In-house qualification certification system

Certification requirement

Business succession Corporate rehabilitation

Publicly qualified

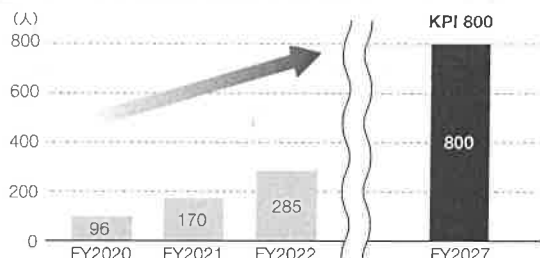
M&A Staffing, etc.

Business skill check

System to Certicate Intra-company Qualification

This is a system to clarify the qualifications and skills required for consultants to solve customers' issues and to support the career development that each individual is aiming for. We support skill development through task-specific workshops and qualification preparatory courses for required qualifications and skills.

No. of Certified Personnel (Silver and above)



The number of certified personnel under the in-house qualification certification system has been increasing year by year, with **two employees obtaining the highest level of certification, "Diamond,"** in fiscal year 2022.

Certification Rank	Silver	Gold	Platinum	Diamond
Official qualifications, etc.	2nd grade of FP Legal Affairs Level 3 Qualification Examination IT Passport Examination Financial Services Certification Level 3	In addition to the left 1st grade of FP Financial Services Certification Level 2	Senior M&A Expert or Senior Private Banker or Fundamental Information Technology Engineer in addition to those listed on the left.	In addition to the left, one or more of the following: small and medium-sized enterprise diagnostician, labor and social security attorney, certified tax accountant, lawyer, certified public accountant, real estate appraiser, administrative scrivener, judicial scrivener
Business Skill Check	C	B	A	S

Trends in the Number of Major Qualifications Obtained

Qualification	FY2020	FY2021	FY2022
MBA	13	13	13
Certified Small and Medium Enterprise Management Consultant	68	70	72
1st grade of FP	313	351	358
IT Passport Examination	396	748	1207
Fundamental Information Technology Engineer	135	180	199

Shizuoka Financial Group Open College (Liberal Arts)

We provide opportunities to "re-learn in new areas" such as seminars on liberal arts, IT/DX, green, and diversity, to promote "exploration of knowledge" of executives and employees and to improve their attractiveness as human capital.

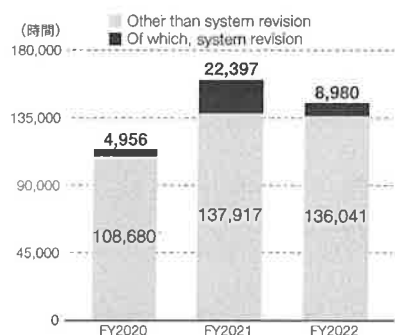
Instructors in FY2022

· Naohiko Kotake (Professor, Keio University Graduate School) · Kaori Sasaki (Founder & CEO, ewoman, Inc.) · Yukari Takamura (Professor, Institute for Future Initiatives, University of Tokyo) · Nobuko Nakano (Brain Scientist) · Takashi Maeno (Professor, Keio University Graduate School) · Yasumasa Yamamoto (Visiting Professor, Kyoto University Graduate School) and others

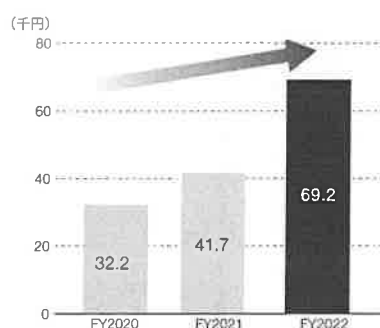
■ Changes in training hours, etc.

In addition to traditional face-to-face training, we utilize online training to create an environment in which each executive and employee can develop their careers on their own initiative. In order to proactively provide recurrent training opportunities, we are increasing training expenses per officer and employee. (In FY2021, in line with the revision of the personnel system, a number of training sessions were held to penetrate the system, resulting in a significant increase in training hours.)

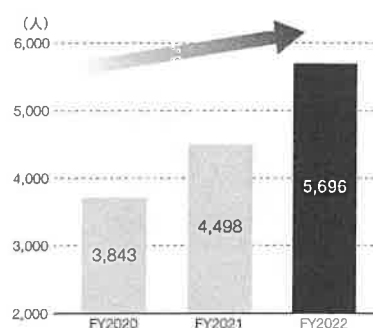
Changes in training hours



Changes in training costs per personnel



No. of participants in Open College



Initiatives for Career Autonomy

We are enhancing the system to support each and every executive and employee in designing his or her own career to realize his or her "dream" of working for the Group

Support for the realization of each individual's dreams by systematizing support for autonomous career development



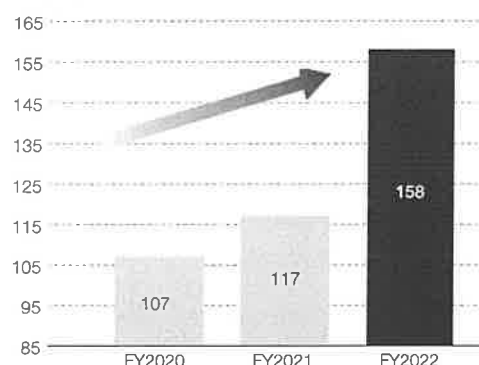
My career design system

We support the autonomous career design and diverse career development of each and every employee, and in FY2023 we are promoting diverse career development to cultivate problem-solving human resources who create new value.

Systems	Contents
Dispatch to Regional Companies	By providing precise solutions to the management issues faced by regional companies, our employees contribute to the growth and development of regional companies, which in turn leads to our own personal growth.
External Dispatch/Internal Trainee	Dispatch employees to outside companies and provide them with traineeships in specialized departments with the aim to make them acquire expertise in business succession, financial market, digitalization, etc.
Post Challenge/ Intra-company side job	Provide employees with "post challenge", system to allow them to work at a department of their choice, and intra-company side job that allows them to work one day a week in a department of their choice while belonging to their current department.
IT & DX Programs	This program is a specialized program that combines a side-job system and interval training from outside consultants to develop digital human resources.
Transfer System Among Group Companies	Allow each employee to transfer between group companies according to his or her career vision regardless of employment status.
Side-job/Second Business	Actively support side-job and dispatch to other companies for second business in order for executives and employees to achieve self-fulfillment and acquire broad expertise and human network.

■ No. of applicants to the My Career Design System

The number of applicants has been increasing year by year, as we have been expanding the contents of the program every year, including reviewing the dispatch destinations.



■ External Dispatch (IBM Japan)



Nao Aoyama

At IBM Japan, I learned about various solutions and the possibilities of financial DX through consulting for financial institutions. I once again recognized how highly the Group is regarded outside the Group, and I also realized that the Group is very fortunate to have a system for career development, such as dispatch. On the other hand, the rigid and closed image of financial institutions persists, and I feel it is necessary to change this existing image for the future growth of the group. While expanding my knowledge of IT/DX and updating myself, I will utilize my experience from the dispatch and practical experience at sales branches to realize IT measures that can reduce the burden on the sales frontlines.

■ External Dispatch (JAFCO Group)



Kosuke Takai

At JAFCO Group, I was mainly assigned to startup investment operations. I was involved in the listing and initial consideration of new investment targets in the Investment Department, and researched due diligence in the Investment and Research Department, where I learned about the focus of making investments. When I went outside the Group for the first time and saw the environment surrounding the financial industry, I was reminded of the importance of increasing contacts with startups and promoting "innovation" and "DX". I will make the most of my experience during this external assignment to become a bridge among start-ups, the Group, and customers in the region.

Support for Career Autonomy

We have implemented a curriculum to support the autonomous career development of employees at rank-specific training sessions. In addition, we have introduced a "Mentor System and Anchor System" to strengthen follow-up and career development support for young employees.

	Mentor System	Anchor System
Target Employees	Employees in their first or second year of employment	Employees in their third or fourth year of employment
Training Objectives	For inexperienced employees, senior employees who are close to them help them learn their jobs and provide consultation on social life, thereby fostering a mindset as a member of society and helping them to settle into their jobs.	Senior employees who serve as role models for young employees with a certain level of experience in career development provide them with practical guidance and career development counseling to help them develop a growth mindset.

■ Career counseling by the Human Resources Counseling Office

Once a year, HR consultants who are qualified as career consultants visit all branches. The HR consultants address the issues faced by each branch and the career development problems of individual executives and employees, and provide support in resolving these issues by providing information on various training programs and systems, thereby helping to maintain the motivation of employees and motivate them to develop their own careers.

Value-up program

This system provides financial support for skill development initiatives planned by individual employees. The program is designed to improve the ability to "think" and "act" on one's own career development, as well as to improve one's qualifications through the acquisition of a broad perspective and knowledge.

Details of support (examples)

- 📖 Business schools
- 💻 Programming schools (Python, TECH CAMP, etc.)
- 🎓 Qualification schools
- 🗣️ Language schools

Meet-up program

This program provides partial support for the cost of participating in cross-industrial exchange meetings, regional events, study groups, and other events organized by the government, local companies, and other organizations. The program is designed to help participants develop a multifaceted viewpoint and improve their human skills through information and stimulation that they cannot obtain in their daily work, such as the culture and ways of thinking of outside companies, etc. In addition, the program helps them form personal networks and further strengthen relationships with business partners.

Details of support (examples)

- 🤝 Participation in cross-industrial exchange meetings (local revitalization exchange meetings and local problem solving events hosted by business partners)
- 📊 Seminars on the latest wine trends
- 🏛️ Events to learn about local history (visits to historical museums), etc.
- 🎣 Fishing classes (government, community revitalization)

3. Promote DE&I to maximize human resource value

We will further promote “DE&I,” the creation of unprecedented ideas and new sensibilities by appreciating and crossing the diverse backgrounds, careers, and values of each and every executive and employee, leading to the development of regional communities, sustainable growth of the Group, and enhancement of corporate value.

Initiatives for women’s active engagement

In order to promote the women empowerment, we aim to achieve a ratio of at least 22% of women in leadership positions (managers at the section manager level and above) by the end of March 2024 and 40% by the end of March 2031, while focusing on the development of human capital for the career development and management of women and actively assigning and appointing women to these positions.

Promotion of Initiatives for women’s active engagement at Group companies (Approaches to the General Employer Action Plan)

Five companies, including the Bank (Shizugin TM Securities, Shizugin IT Solutions, Shizugin Mortgage Services, and Shizugin Business Create) have formulated general employer action plan, and are working on group-wide measures to promote the advancement of women, with the aim of promoting DE&I.



Support the “Challenge to 30% by 2030”

We support the “Challenge to 30% by 2030” promoted by the Japan Business Federation, which aims to increase the percentage of women on the Executive Officers to 30% or more by 2030. We will transform our organization by bringing the perspectives of diverse human resources, including women, into business execution and governance. **10 female executives**, including the president of a group company, are active as of April 2023.



Female Directors in the Group

Keiko Endo
Shizugin Mortgage Services
Director & Senior Executive Officer
Member of Human Capital Management Committee

Women often face turning points in their “work” due to various life events. In order not to let go of your career, it is important to face your “want” and not give up. It is also important to find your strengths and increase them. To all female executives and employees, don’t set your boundaries and take on challenges. Jump into the opportunities. We will support you from behind and make the group a place where those who work hard can take on challenges without worry. Let’s join forces and together create the future of the region and the Group.

Support for Women’s Careers

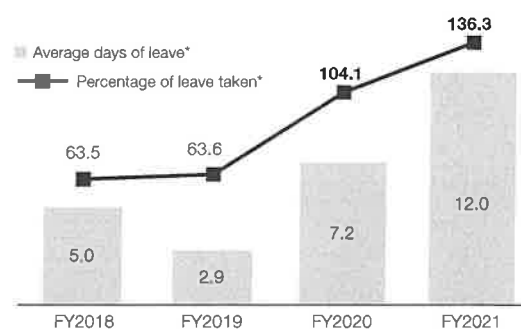
We are also supporting women’s careers by holding seminars (lecturer: Dr. Miho Takao, obstetrician/gynecologist) to raise awareness of women’s health issues and to promote understanding of the issues among those around them.

Maintain 100% male childcare leave utilization rate

In April and October 2022, in line with the revision of the Child Care and Family Care Leave Law, we expanded our various childcare-related programs, the “Ikusapo (child care) Program”.

In addition, to encourage male employees to participate in childcare, we actively hold seminars on childcare and provide training for all managers in accordance with the revised law. In addition to establishing a system to promote gender-neutral participation in childcare, we are focusing on eliminating resistance to men taking childcare leave and correcting unconscious bias in balancing family and work.

We will continue to strengthen our group-wide efforts and support men taking essential childcare leave.



*Five companies with general employer action plan

Male childcare leave utilization rate (%) = “the number of male workers who took (started) childcare leave (in the relevant fiscal year)” / “the number of male workers whose spouses gave birth (in the relevant fiscal year)” × 100

Reduce the wage gap between men and women

The wage gap between male and female regular employees by position classification is approximately 80-90%. The main reason for the difference in wages between men and women is the low ratio of women in management positions, and we will work to minimize the wage difference through efforts to promote women's activities.

Position Classification (Shizuoka Bank's FY2022 year-end base)	Whole		Of which, there are transfer with relocation		Of which, no transfer with relocation	
	Wage gap	(Percentage of women)	Wage gap	(Percentage of women)	Wage gap	(Percentage of women)
Management (full-time)	81.7	(18.1)	89.4	(4.8)	96.1	(43.6)
Non-managerial (full-time)	89.1	(47.3)	87.4	(33.0)	90.5	(80.1)
Others	77.7	(71.7)	—	—	—	—
Whole	65.7	(33.8)	59.9	(19.7)	76.4	(62.4)

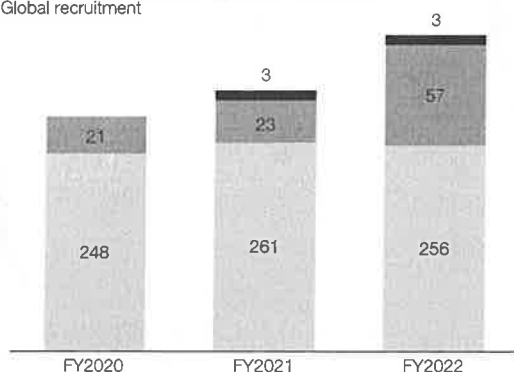
Initiatives for DE&I

In addition to our traditional efforts to promote the women empowerment and expand employment of people with disabilities, we are actively accepting human capital with diverse knowledge and experience by promoting the activities of experienced human capital, hiring Mid-career professionals, global recruiting of foreigners and foreign students, accepting second jobs from other companies, recruiting highly specialized professional human resources, recruiting sports and art (para-athletes), and resuming high the recruitment of high school graduates.

Diversification of human resources

Change in the recruitment portfolio

■ New graduate recruitment ■ Career recruitment
■ Global recruitment



Sports & Arts Recruitment (10 enrolled)

To secure human capital with new knowledge and experience beyond finance and to create local employment, we hire athletes who belong to local sports organizations, etc.



Azalea Seven, a women's rugby team to which four employees of the Group belong

Recruitment of High School Graduates (19 employees joined by 2023)

In FY2020, we have resumed hiring high school graduates for the first time in 28 years. They are able to balance their university studies while working at the Bank, thereby fostering human capital and creating jobs in the region.

Ensure diversity in the appointment of core personnel, etc.

We have set targets for the ratio of women, foreign nationals, and mid-career recruits in management positions, and are working to develop human resources and create an environment that ensures diversity.

Indicator Shizuoka Bank	FY2022	KPI
Percentage of foreign employees in Management Positions	0%	10% (End of Mar. 2024)
No. of foreign employees per year	3 (8 employees joined in FY2023)	A few per year
Percentage of mid-career employees in Management Positions	67.2%	70% (End of Mar. 2024)
No. of mid-career employees per year	33 persons	15 per year

Global recruitment (7 new graduates and 1 career employee joined in FY2023.)

We employ people who have problem-solving skills and are expected to be active globally, both domestically and internationally.



Career recruitment (57 employees joined in FY2022.)

We actively recruit people with experience in financial and non-financial fields who can make an immediate impact in order to respond to increasingly complex customer needs.

Acceptance of Side Job from Other Industries (Total 7 employees)

We employ side-job workers from other industries and promote their activities through flexible work styles such as remote work in order to actively embrace knowledge not available within the Group.

Recruitment of para-athletes

We hired a para-athlete, Hidefumi Wakayama, a wheelchair rugby football player belonging to Corporate Administration Dept. of the Bank



Initiatives for Respecting Human Rights

Establishment of Human Rights Policy

Interest in and expectations of the responsibility of companies to respect human rights have been growing both in Japan and overseas, and we have established the "Shizuoka Financial Group Human Rights Policy" in accordance with the Universal Declaration of Human Rights, the Guiding Principles on Business and Human Rights, and the ILO Declaration, which are international standards on respect for human rights, including the prohibition of child forced labor. We will continue to contribute to the realization of a society where human rights are respected by all.

*The full text of the Human Rights Policy is available on our website (Japanese only).
<https://www.shizuoka-fg.co.jp/sustainability/action-policy.html>

Major Initiatives

- Establishment of human rights policy
- Establishment of human rights consultation offices at each Group company
- Strengthen education on human rights awareness (enhance training by job level)
- Set themes related to human rights at harassment study sessions
- Hold seminars on human rights enlightenment at open colleges

Initiatives for LGBTQ

We implement LGBTQ-related initiatives to prevent harassment due to discrimination and other human rights violations related to sexual minorities, as well as to foster a corporate culture that respects diversity.

We aim to be a warm, open, and friendly corporate group to all people, while recognizing each other.



handbook



LGBTQ Ally Badge

Major Initiatives

- Open college seminars
- Introduce same-sex partnership program
- Conduct LGBTQ awareness training for all officers and employees
- Explicitly state SOGI harassment prevention (added to harassment guidelines)
- Distribution of LGBTQ ally badges (upon request)
- Creation of a handbook (including information on how to respond to customers, etc.)
- Establishment of internal and external consultation offices (internal: at each group company, external: at outside professional organizations)
- Establishment of storefronts, etc. (replacement of multipurpose toilets with all-gender toilets, installation of pamphlets, etc.)

Supporting the Success of People with Disabilities

Shizugin Heartful was established in October 2019 for the purpose of creating a work environment where people with disabilities can work with peace of mind while feeling rewarded and fulfilled, and to actively support their participation in society.

As of April 2023, the employment rate of persons with disabilities (group total) is 2.35%, exceeding the legally mandated employment rate (2.3%).

In addition, we endorse the concept of "The Valuable 500," an international initiative to promote the success of people with disabilities, and became the first Japanese regional bank to join this initiative.



We are trying to introduce health keepers by accepting massage treatment training from special needs schools in the Shizugin Headquarter Tower from May 2023.



Operations at Shizugin Heartful

Eradication of Harassment

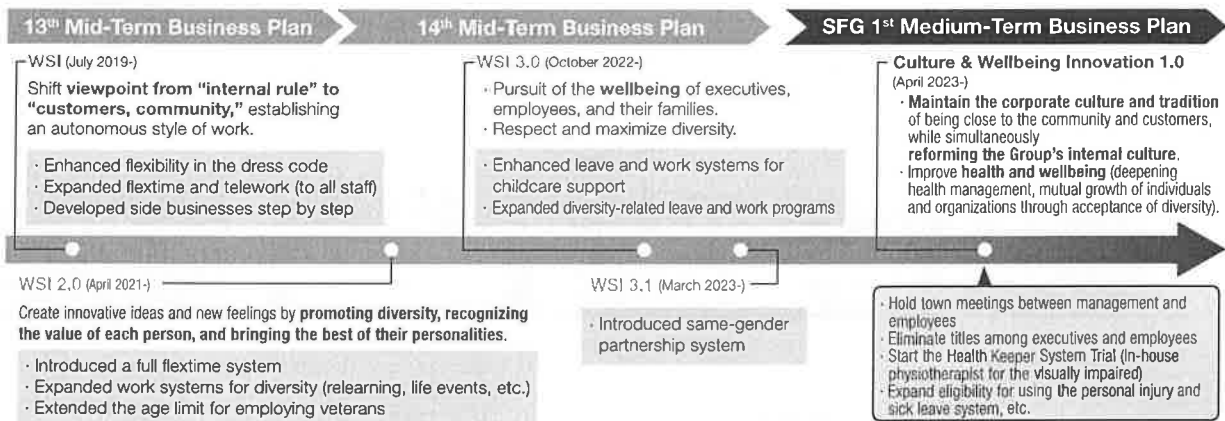
To enhance the happiness and satisfaction of executives and employees, we are strengthening our efforts to eradicate harassment. In addition, through training for all managers and workplace-based study sessions, supervisors and subordinates discuss gaps in mutual awareness, etc., in order to build a favorable work environment and improve communication.

4. Culture & Wellbeing Innovation

Since July 2019, we have promoted "Work Style Innovation" as an initiative to realize flexible work styles for all executives and employees, and have introduced and expanded various systems, including the introduction of a full-flex time system, etc. From April 2023, we are developing this initiative into "Culture & Wellbeing Innovation," a set of measures to improve the engagement and wellbeing of each and every executive and employee.

Promoting autonomous and flexible work styles

Past Initiatives

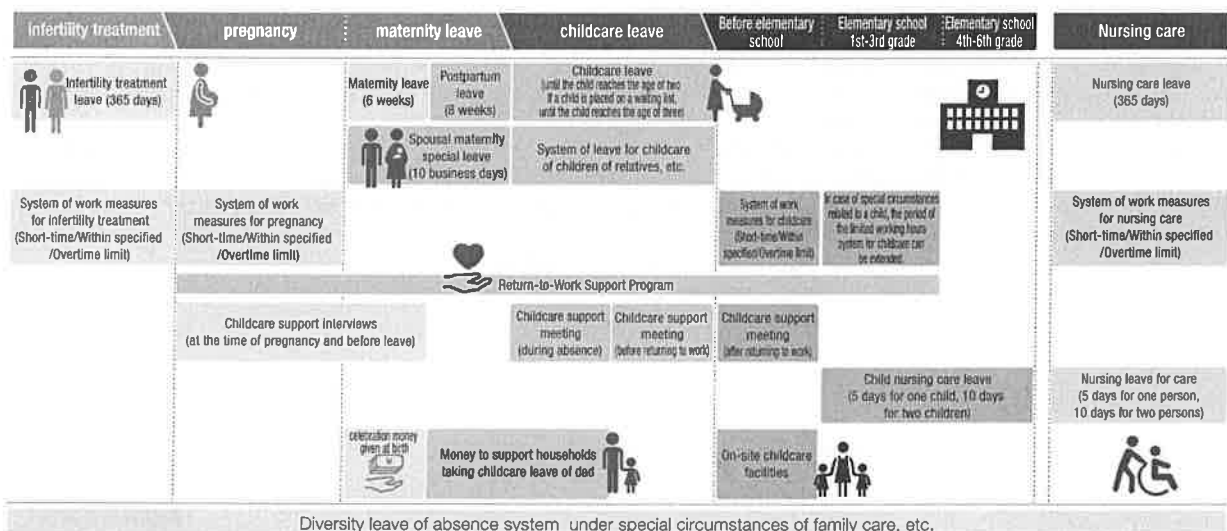


Major new initiatives implemented in FY2022

- Initiatives for revision of the Child Care and Family Care Leave Law
- Establishment of a new support system for long-term leave of absence for men and early return to work for women (Money to support households taking childcare leave of dad), etc.
- Extension of the period of childcare leave, shortened working hours, and other work measures under special circumstances, and establishment of a new leave of absence system

Support for Balancing Work and Personal Life

To enable each and every executive and employee to maximize their performance in their respective environments, we have developed and expanded systems to support a balance between work and family life, and are promoting their use. Through the use of teleworking, satellite work, and full flex-time systems, we are promoting autonomous work styles that match the work and private lives of executives and employees with limited working hours, thereby enhancing their ability to develop skills and job satisfaction.



Promotion of Health Management

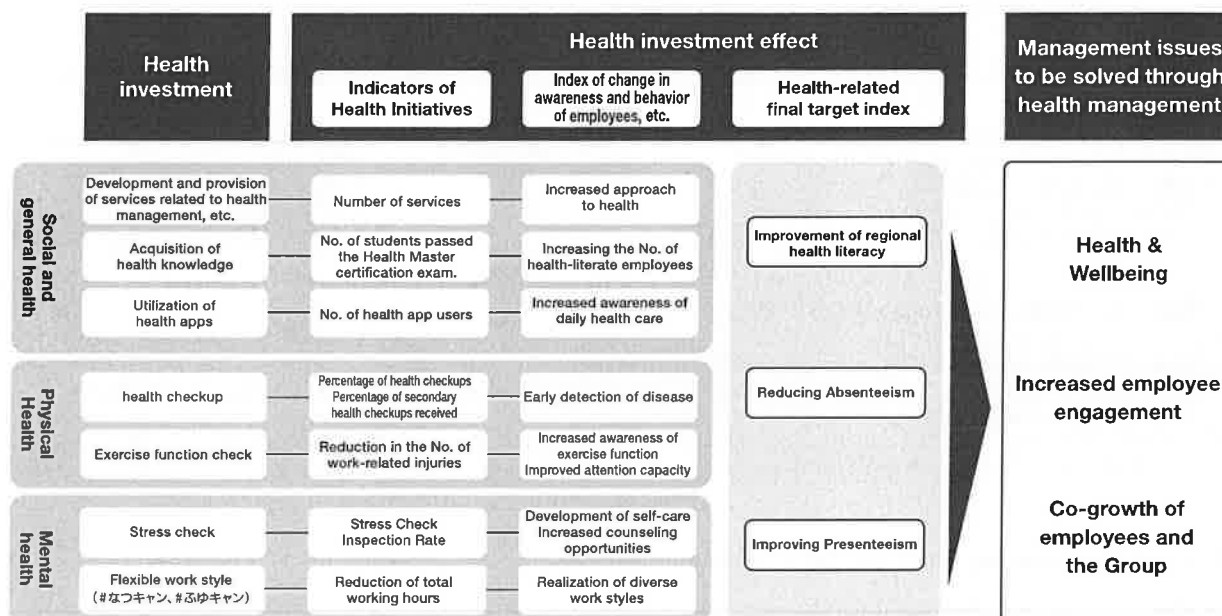
We position the maintenance and promotion of the health of executives and employees as an important management issue, and under the leadership of management, we have established a basic policy, the "Health and Productivity Management Declaration" and are actively working to create a comfortable work environment and support the health of executives and employees.

We have formulated a strategy map based on the "Guidelines for Administrative Accounting of Investment in Health and Productivity Management" set forth by the Ministry of Economy, Trade and Industry (METI), and are implementing various health investments to solve management issues.

Health Management Promotion Structure



Strategy Map



Health and Productivity Management Declaration

- Based on our corporate philosophy, "Expand dreams and affluence with our community," as a comprehensive regional financial group, we support the realization of dreams and affluence of our community, customers, employees, and shareholders through the provision of high-quality financial services.
- In order to realize our corporate philosophy, it is important for each and every employee to work with vitality and health, both physically and mentally, and to continue to grow and develop to the fullest extent of their abilities.
- Employees are one of our most important management resources, and their health is an important asset not only for the employees themselves and their families, but also for the Group.
- Based on this recognition, the Group positions the maintenance and promotion of employee health as an important management issue and promotes "health management" that proactively works to create a comfortable working environment and supports health promotion by employees.

Certificated Health & Productivity Management Organization 2023

We received the "Certificated Health & Productivity Management Organization 2023" certification in recognition of our efforts in health management. We aim to further promote health management for co-growth of both employees and the Group.



Major Initiatives for Health Management

The Group has established health-related KPIs for the wellbeing of all executives and employees and their families, and supports their physical and mental health so that each and every one of them can maximize their potential.

■ Social and general health

“Well-happi (Well-being! Happy!) program”

We are implementing various initiatives to promote a change in the health awareness of each and every executive and employee and to improve health literacy. This program is designed to raise the health awareness of each and every executive and employee and helps them develop healthy behavioral habits, thereby revitalizing the Group's organization and improving its productivity. The system allows employees to use the points awarded for actions that promote health for their benefit programs, thereby encouraging autonomous health efforts.

■ “Cafeteria plan” linked with health promotion

Promoting the autonomous and continuous health promotion of executives and employees by awarding points that can be used for the cafeteria plan, which offers a variety of benefit options, to those who register on the application for health management, exercise, and other health-promoting activities, quit smoking, and hold health certification certificates.

The points can be used to purchase goods and accommodations from customers, and the health efforts of executives and employees are also linked to support for customers.

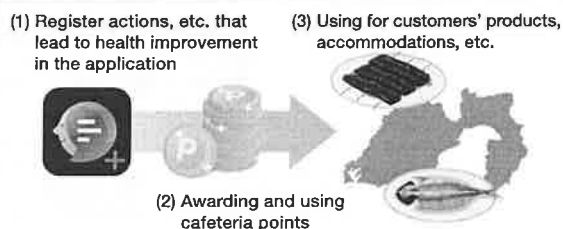
■ Physical Health

In order to change health behavior, we are working to improve the consultation rate of secondary health checkups and specific health guidance as a collaborative health program with health insurance societies.

■ Mental Health

We are working to enhance our mental health care system by providing consultation services by our occupational health staff, stress checks, and support for employees returning to work after a leave of absence.

Image of “cafeteria point” usage



Various benefit programs

We are working on the following measures to maintain and promote the health of all executives, employees, and their families.

■ Vaccinations

As a countermeasure against infectious diseases, we conducted workplace vaccination of officers, employees, and their families with the COVID-19 vaccine at six locations in and outside of the prefecture from 2021 to 2022. We also subsidize the cost of influenza vaccinations to ensure the health of executives and employees.

■ Various leave systems

We support our executives and employees to realize their individual wellbeing through a well-developed leave system that includes leave for physical examinations and volunteer leave to support social and community contribution activities by executives and employees.

■ Various welfare facilities

In order to promote the health of employees and their families, foster cultural education, and make effective use of leisure time, we have concluded contracts with various sports facilities, museums, resorts, and other facilities.

■ Long-service award ceremony

In addition to the special long-service leave to console employees for 25 years of continuous work, we held a long-service award ceremony in face-to-face for the first time in three years in FY2022. After the ceremony, the families of executives and employees are invited to a mini-concert to commemorate their long years of service and a social event is held to provide them with an opportunity to express their appreciation for their long years of labor.

■ Eco-Bicycle Support Program

The program encourages employees to switch means of commuting from cars and buses to bicycles by subsidizing the cost of purchasing bicycles in order to support health improvement, reduce environmental impact, and maintain transportation functions in the event of a disaster.

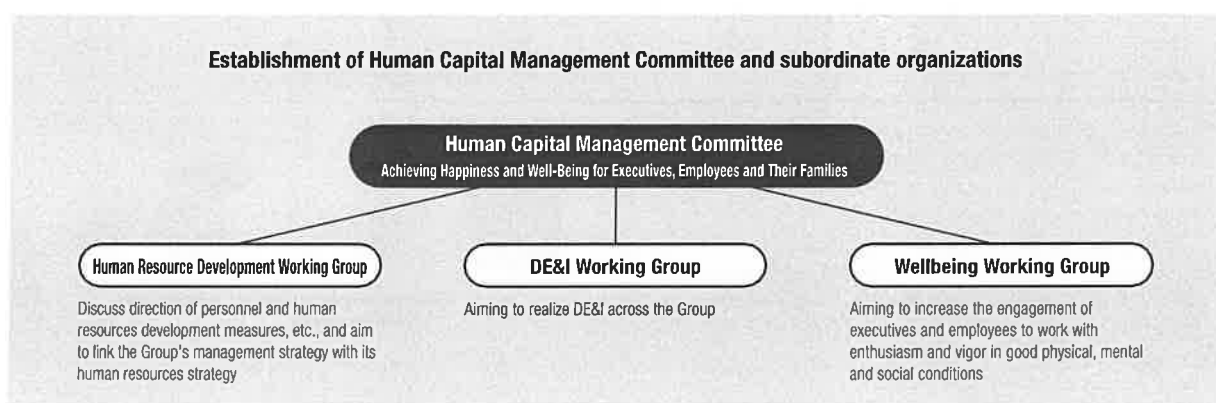
Initiatives to increase the engagement of each employee

The Group is strengthening its efforts to increase the engagement of each and every officer and employee, which is an important factor from the perspective of providing high quality services and improving productivity.

Dialogue with executives and employees

The Human Capital Management Committee was newly established in October 2022 as a meeting place to discuss issues and strategies to realize human capital management under the holding company structure. This committee is chaired by Director Yagi (President of the Bank) and its members, which include the heads of the corporate administration departments of each group company, engage in lively discussions across the organization.

In addition, working groups have been established under the Committee to discuss the three key themes of human capital management: human capital development, DE&I, and wellbeing. Each working group is implementing various initiatives based on the opinions of executives and employees, in addition to examining the content of disclosures on human capital and formulating a "Human Rights Policy".



■ Major measures implemented by each working group in FY2022

Human Resource Development Working Group	DE&I Working Group	Wellbeing Working Group
<ul style="list-style-type: none">Sharing the training system of each group company and reflecting it in the human resource development policy (Group Human Resource Development Recurrent 2.0)Introduced a recurrent program "Sekigaku 50 Kou"(Keio MCC) for heads of each department (the Bank)	<ul style="list-style-type: none">"The Nijiro News Letter" is a communication tool to promote understanding of DE&I, with a focus on unconscious bias.Discussions on women's health issues and LGBTQ system designImplementation of E-learning on DE&I	<ul style="list-style-type: none">Proactively sharing information within the Group through video news and emailDiscussions on the implementation of culture and wellbeing innovations

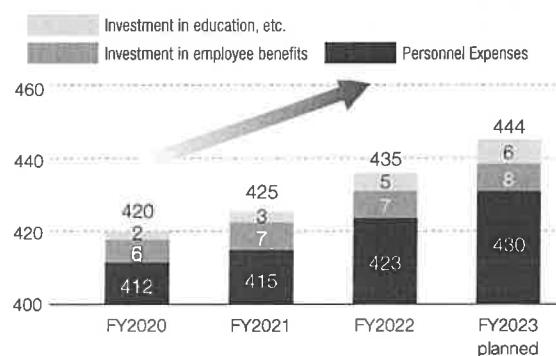
Labor-management dialogue

Labor and management are working together to build a better organization through equal and cooperative labor-management relations, such as by signing a union-shop contracts with a labor union. In addition to regular discussions on issues such as compensation, human resource development, health and safety, and work-life balance, the union also organizes sports festivals and other events in which employees can participate to stimulate communication and foster a sense of unity.

Strengthening human capital investment initiatives

In the 1st Medium-Term Business Plan, which started in April 2023, we have positioned human capital management as an important management strategy, aiming to create a positive cycle between the enhancement of the human capital value of executives and employees and the improvement of social and corporate value. We will actively invest in human capital, not only in wages, but also in DE&I, human resource development and education, benefits, and health management, to realize the dreams and wellbeing of each and every executive and employee.

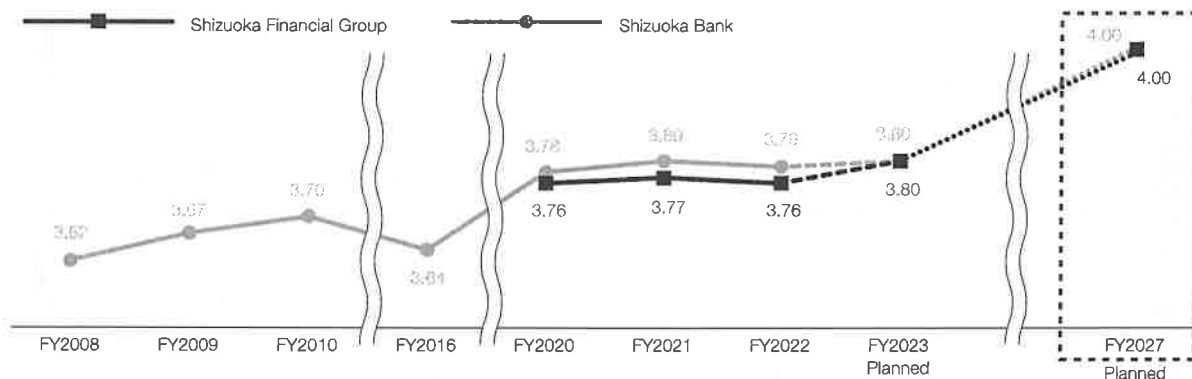
We will continue to be proactive in our investment in human capital so that our executives and employees will be encouraged to study hard to enhance their own value and attractiveness.



Changes in Engagement Indicators

Employee Engagement Survey

Since fiscal year 2008, we have conducted an employee engagement survey on a regular basis, with the aim of listening to the candid opinions of employees and reflecting them in our human resources strategy, such as their diversifying attitudes toward employment, work, and the organization.



Initiatives for Financial Wellness

The Group is working to help its executives and employees, who are responsible for creating value, achieve "Financial Wellness*" by providing them with financial support through asset building, sickness and injury support, and other programs.

In anticipation of changes in the contribution limits of defined contribution pension plans and revisions to the NISA system, we will further enhance and strengthen both the institutional and educational aspects of the plan to further improve financial literacy and promote self-directed asset formation.

*A state of being secure about one's future financial situation and being able to make choices to enjoy life.

Employee Stock Ownership Plan

With the transition to a holding company structure, we increased the subsidy from 80 yen to 100 yen for a contribution of 1,000 yen per unit in order to foster an awareness and culture of enhancing the social value of the community and the corporate value of the Group through the sharing of stock value, and to support the asset building of group executives and employees.

We aim to contribute to the community and our customers with a high level of motivation by fostering a sense of group unity, further promoting group management, and realizing the wellbeing of our executives and employees.

Scholarship Repayment Support Program

Starting in April 2020, we have established a "Scholarship Repayment Support Program". We will provide repayment support to young employees based on their years of employment, aiming to solve social issues and improve job satisfaction by reducing the burden of scholarship repayments.

Other specific measures

- Providing 30,000 yen per month for 5 years after marriage for those who live in a rented house
- Implementing investment education at rank-specific training sessions
- Special salary and additional benefits provided by the health insurance union, such as 80% of the standard salary for a certain period after the expiration of the sickness allowance (health insurance) for leave of absence due to personal injury or illness

Strengthening Corporate Governance

The Group is strengthening its corporate governance system to both create social value and improve corporate value.



Basic Approach to Corporate Governance

The Group aims to build a group-wide resilient corporate governance system that will enable sustainable growth, as well as to further contribute to the happiness of all stakeholders, including local communities, customers, employees, and shareholders.

We will further enhance corporate governance based on the basic concept of "separation of supervision and execution," working to build a corporate governance system that our stakeholders demand.

■ Corporate Governance Policies

1	The Group establishes a suitable date to hold general meetings of shareholders and publishes notices of these meetings (including English translations) on the Group's website. By continually implementing initiatives such as these aimed at a more vigorous general meeting of shareholders and the smooth exercise of shareholders' voting rights, we will secure the rights and equality of shareholders.
2	So that the Group can continue to be a financial institution that is trusted and chosen by all stakeholders, including shareholders, region, customers, and employees, we will strive for balance in corporate management by addressing diverse viewpoints, including economic, social, and environmental perspectives, and work towards enhancing sustainability.
3	The Group will engage in appropriate disclosure based on the Banking Act, Financial Instruments and Exchange Act, and other laws and regulations, as well as securities listing regulations of Japanese stock exchanges. In addition, we will strive to disclose information voluntarily, including non-financial information, to ensure the soundness and transparency of management.
4	<p>In accordance with the Basic Policy Regarding the Design of Internal Control Systems resolved by the Board of Directors based on the Companies Act, we will design a system for ensuring that the execution of duties by directors complies with laws and regulations and the Articles of Incorporation, and other systems to ensure the appropriateness of our operations and those of our group companies.</p> <p>In addition to incorporating the supervision and advice from an independent perspective by outside directors on the Board of Directors, etc., into corporate governance, we will improve the management supervisory function of the entire group and seek to sustainably improve corporate value by appropriately utilizing the functions of the Audit and Supervisory Committee and the Nomination and Remuneration Committee.</p>
5	The Group engages in constructive dialogue with shareholders through proactive investor relations activities, in order to contribute to the sustained growth and enhanced corporate value over the medium to long term.

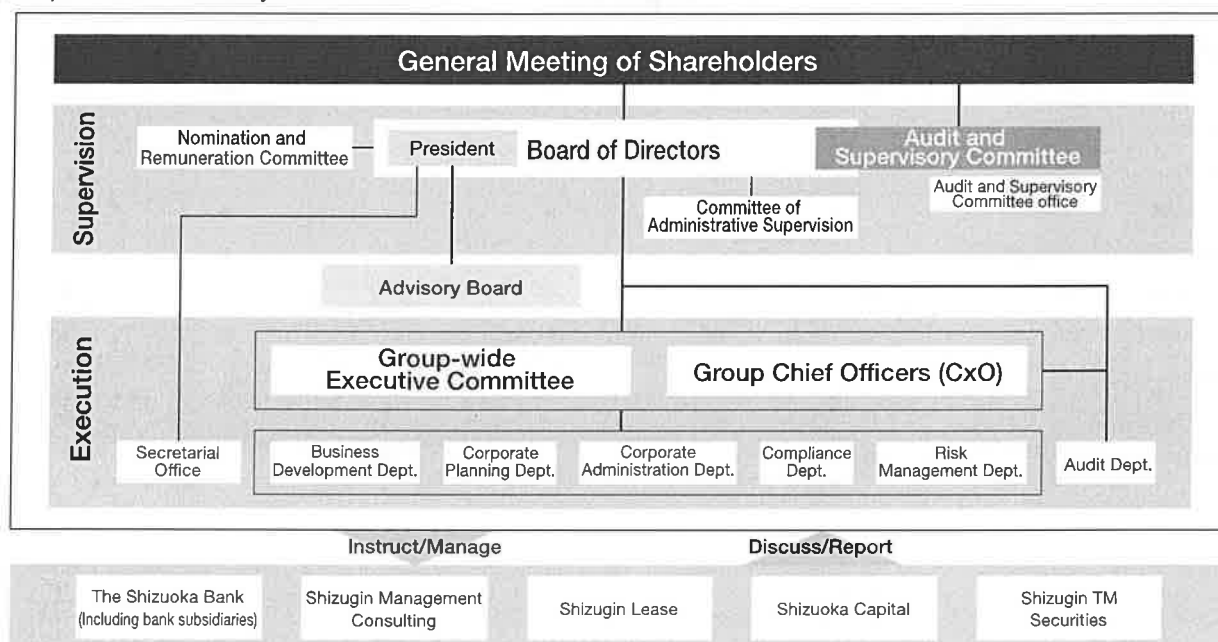
Structure Supporting Corporate Governance

■ Organization of the Group's management structure

We have established and operate a corporate governance system aimed at sustainably enhancing the Group's corporate value, with management centered in the Company. By establishing the Board of Directors, the Audit & Supervisory Committee, and the Nomination & Remuneration Committee, each with an appropriate composition of members, including Outside Directors, we have built a system that fully utilizes the independent management supervisory function.

We also aim to strengthen group management in the executive divisions through the establishment of group-wide Executive Committee including the Sustainability Committee (Group Executive Committee), the group-wide Committee for Integrated Risk and Budget Management, and the group-wide Compliance Committee, as well as appointing Group Chief Officers (CxO) in each executive field.

■ Corporate Governance System (as of July 1, 2023)



Board of Directors

The Board of Directors consists of 10 directors, including 5 outside directors (all of whom are independent officers). As an organ responsible for enhancing independence from the execution of business and supervising group-wide management, it decides on management strategies such as medium-term business plans and the general features of internal controls, as well as supervising the execution of business across the Group.

Audit & Supervisory Board

The Audit & Supervisory Committee is composed of 1 full-time Audit & Supervisory Committee member and 3 outside directors (all of whom are independent officers). It is chaired by an outside director. It works together with the Internal Audit Division to ensure a structure that enables independent and detailed auditing.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee is composed of the Company's 2 representative directors and 5 outside directors. It responds to inquiries from the Board of Directors on matters such as the nomination of officers and the officer compensation system to ensure transparency in the supervision of the Group's senior management team. As an organ authorized by the Board of Directors to determine compensation, it deliberates on the allocation of fixed monetary compensation and performance-linked compensation.

Committee of Administrative Supervision

The Committee of Administrative Supervision has been established to reinforce supervision of the execution of business by the Board of Directors. It is composed of the Chairman of the Board of Directors, outside directors, Audit & Supervisory Committee members, and the Group Chief Internal Audit Officer (CIAO), and engages in activities such as monitoring the status of business execution.

Advisory Board (Management Advisory Committee)

The Advisory Board, established under the President (CEO) as a management advisory committee and composed primarily of external experts, is aimed at ensuring objectivity and reflecting advanced external views in management execution.

■ Functioning the Board of Directors in the Realization of the Group-wide Management Strategy

The Group aims to strengthen group management and develop new businesses that contribute to regional growth, in addition to providing sound financial intermediary functions to the community, etc., based on a flexible and strong governance structure that serves as the foundation for sustainable growth.

The Board of Directors is charged with the mission of overseeing the execution of operations based on the diverse expertise of the entire group, leading to the sustainable growth of stakeholders and the Group.

The Board of Directors as a whole ensures an appropriate balance by allowing each director and auditor to fulfill their roles from the perspectives of "management," "society and the economy," and "business" from a comprehensive perspective based on the knowledge they have gained from their professional backgrounds and other experiences.

■ Board of Directors Skills Matrix (Fields where each member is expected to play important role)

Name	Position	Management		Society, Economy		Business	
		Supervision of management as a listing company	Leading a comprehensive financial group	Vision for regional society and economy	Response to social change	Function for financial intermediation	New businesses (development, composition)
Katsunori Nakanishi	Representative Director (Chairman)	●	●	●		●	●
Hisashi Shibata	Representative Director (President) CEO		●	●		●	
Minoru Yagi	Director		●	●		●	
Yutaka Fukushima	Director			●		●	
Koichi Kiyokawa	Director (Audit & Supervisory Committee Member)			●		●	
Kumi Fujisawa	Outside Director	●		●	● Innovation		●
Kazutoshi Inano	Outside Director	●	●	●		●	●
Motoshige Itoh	Outside Director (Audit & Supervisory Committee Member)	●			● Environment		
Kazuto Tsubouchi	Outside Director (Audit & Supervisory Committee Member)	●			● IT		●
Naomi Ushio	Outside Director (Audit & Supervisory Committee Member)	●			● Diversity		

■ Building a supervisory structure to ensure the independence of outside directors

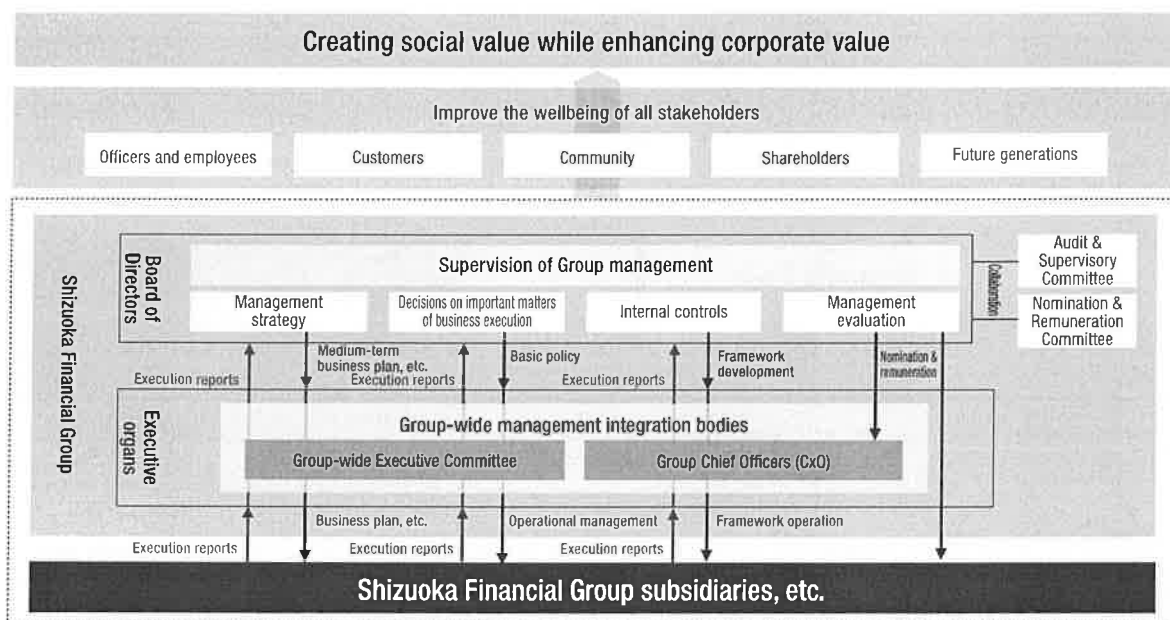
An appropriate composition of outside directors is appointed for the Group's supervisory organs (the Board of Directors, the Audit & Supervisory Committee, and the Nomination & Remuneration

Committee) to enable flexible business execution adapted to the business environment under appropriate management supervision.



■ The roles of the Board of Directors, the Group-wide Executive Committee, and the Group Chief Officers (CxO)

The Group aims to sustainably enhance corporate value while building appropriate relationships with our stakeholders. The Board of Directors supervises the Group's management from the perspectives of management strategy, decisions on important matters of business execution, internal controls, and management evaluation. The group-wide Executive Committee and the Group Chief Officers (CxO), under the supervision of the Board of Directors, monitor the execution of business across the entire group, including subsidiaries, to appropriately allocate management resources and generate group synergies.



■ Role of Group-wide Executive Committee

Sustainability Committee (Group Executive Committee)

In addition to deliberating on agenda items to be submitted to the Board of Directors, the Sustainability Committee decides on matters of business execution, excluding those that are the prerogative of the Board of Directors or other bodies delegated authority by the Board of Directors. It also carries out the necessary inter-company adjustments related to business execution by group companies.

Group-wide Committee for Integrated Risk and Budget Management

The group-wide Committee for Integrated Risk and Budget Management deliberates on the Group's basic policy for integrated risk management, the status of risk management, the status of progress on comprehensive budget plans, and the overall management of assets and liabilities, as well as the Group's future response regarding these matters.

Group-wide Compliance Committee

The group-wide Compliance Committee oversees and manages all aspects of compliance in the Group, such as the basic compliance policy (Ethical Charter) submitted to the Board of Directors for approval, amendments to the compliance policy, and the implementation and evaluation of specific measures.

■ Roles of Group Chief Officers (CxO)

Group CEO Chief Executive Officer	The CEO has responsibility for management of the entire group, directs the formulation of the Group's management policy to maximize value for all stakeholders, and oversees all aspects of the Group's management.
Group CFO Chief Financial Officer	The CFO has responsibility for the utilization of the entire group's management resources to achieve its management strategy, and oversees all aspects of the group management strategy from the perspectives of enhancing the Group's profitability, growth potential, and financial soundness.
Group CIO Chief Information Officer	The CIO has responsibility for the development and operation of IT strategy and systems management frameworks for the entire group, overseeing business execution and keeping it in check across the Group from the perspective of information systems management.
Group CRO Chief Risk and Compliance Officer	The CRO has responsibility for the development and operation of compliance and risk management frameworks for the entire group, overseeing business execution and keeping it in check across the Group from the perspectives of compliance and risk management.
Group CIAO Chief Internal Audit Officer	The CIAO has responsibility for the development and operation of audit frameworks for the entire group, keeping business execution in check and auditing it across the Group from a standpoint independent of the executive division.

■ Initiatives for Improvement Utilizing the Evaluation of the Effectiveness of the Board of Directors as a Whole

Since fiscal 2015, before our transition to a holding company structure, we have conducted an evaluation of the effectiveness of the Board of Directors as a whole each fiscal year and used it to improve the Board's effectiveness. In fiscal 2022, the Company's Board of Directors discussed approaches to the Board's operation. Based on the key points that emerged from this discussion, we conducted a questionnaire survey of directors and reported the results of analysis and evaluation to the Board of Directors. Regarding the issues recognized in the evaluation for the previous fiscal year (at the Board of Directors of the Bank prior to the transition to a holding company structure) – "activate discussion of group management perspectives" and "enhance information provided to outside directors and audits regarding

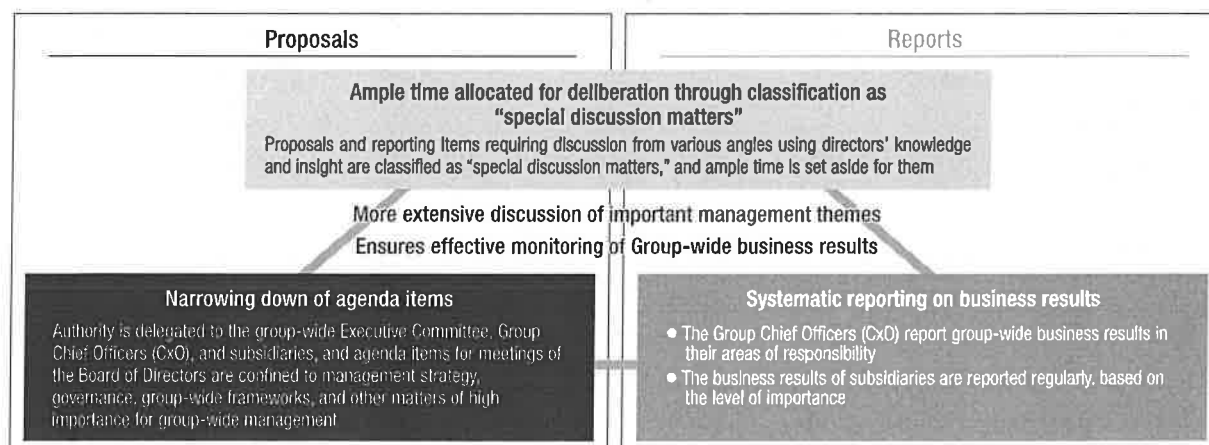
business sites" – the Company's Board of Directors established opportunities for the presidents of the Company's subsidiaries, who oversee front-line business operations, to report to the Board on matters such as management policy. The Board also endeavored to make improvements such as the commencement of systematic reporting by Group Chief Officers (CxO) on Group-wide business results. Looking ahead, we will expand the opportunities provided for outside directors to understand the business characteristics of subsidiaries, etc., as well as the opportunities for outside directors to communicate with Group Chief Officers (CxO) and other executive officers, to enhance the effectiveness of the Board's supervision of the Group's companies and the executive division.

Shizuoka Bank		Shizuoka Financial Group	
	FY2020	FY2021	FY2022
Initiatives	<ol style="list-style-type: none">1. Hold meetings for exchange of opinions between independent directors and the sales field2. Hold governance study sessions for board members held by outside lecturers3. Establish the Nomination & Remuneration Committee	<ol style="list-style-type: none">1. Ensure opportunities for discussion within and outside the Board of Directors prior to the resolution of important matters2. Let some outside officers participate in internal committees as observers	<ol style="list-style-type: none">1. Participation of the presidents of subsidiaries in deliberations on medium-term business plans and other business plans2. Monitoring through the reporting of group-wide business results by Group Chief Officers (CxO)
Issues	<ol style="list-style-type: none">1. Enhance opportunities for communication between outside directors and the sales field2. Clarify of issues in deliberations	<ol style="list-style-type: none">1. Activate discussion of group management perspectives2. Enhance information provided to outside directors and audits regarding business sites	<ol style="list-style-type: none">1. Expand opportunities for outside directors to understand the business characteristics of subsidiaries, etc.2. Expand opportunities for outside directors to communicate with Group Chief Officers (CxO) and other executive officers

■ Operation of the Shizuoka Financial Group's Board of Directors

Under an appropriate supervisory framework, we will work towards delegating authority to the group-wide Executive Committee, Group Chief Officers (CxO), and subsidiaries, as well as narrowing down the Board of Directors' meeting agendas and operation to matters of high importance for group-wide management. We have implemented systematic reporting by the executive division and subsidiaries, etc. to establish an appropriate supervisory framework. Specifically, in addition to reports on group-wide business results in each field

by the Group Chief Officers (CxO), there is also a framework in place for regular reporting to the Board of Directors on the status of business operations at subsidiaries, based on the level of importance. We classify proposals and reporting items to be discussed from various angles using directors' knowledge and insight as "special discussion matters," and ensure that ample time is set aside in meeting agendas for deliberation on these matters.



Compensation Structure for Directors to Enhance Corporate Value

Basic policy on directors' compensation

- ① The framework of compensation for directors shall be appropriately established to function as a sound incentive based on our aim to be a sustainable corporate group that can maximize value for all the Group's stakeholders.
- ② Directors' compensation shall reflect the roles and responsibilities that each director must fulfill, as well as their results, to maintain and enhance the sound management of the Group based on directors' duty to accurately engage in group-wide management.
- ③ The fairness and objectiveness in the process for determining compensation, etc. shall be ensured, under appropriate supervision from the Board of Directors, including the involvement and advice of the Nomination & Remuneration Committee, while respecting the resolutions of the General Meeting of Shareholders.

In addition to fixed monetary compensation, compensation for directors (excluding directors who are Audit & Supervisory Committee members) shall be composed of performance-linked compensation, officers' compensation based on a points system linked to share price, and restricted share-based compensation. This system of compensation encourages morale and desire for enhanced performance, the motivation to increase corporate value, and shareholder-oriented management. Compensation for outside directors and directors who are Audit & Supervisory Committee members shall comprise only fixed monetary compensation, from the perspective of ensuring neutrality and independence.

Decisions on the allocation of each form of compensation for directors (excluding directors who are Audit & Supervisory Committee members) were delegated to the Board of Directors by the 1st Annual General Meeting of Shareholders held on June 16, 2023. Of these, the Nomination & Remuneration Committee is entrusted to allocate fixed monetary compensation and performance-linked compensation by resolution of the Board of Directors.

The allocation of compensation (fixed monetary compensation only) for directors who are Audit & Supervisory Committee members is determined through discussion between the directors who are Audit & Supervisory Committee members, and is limited to no more than ¥90 million per year.

Composition of compensation for directors (excluding directors who are Audit & Supervisory Committee members)

	Basic compensation (cash)	Performance-linked compensation, etc. (cash)		Non-monetary compensation (stock)
	Fixed monetary compensation	Performance-linked compensation	Officers' compensation based on a points system linked to share price	Restricted share-based compensation
Upper limits ^{*1}	Directors (excluding Audit & Supervisory Committee members)	Directors (excluding outside directors and Audit & Supervisory Committee members)		
	No more than ¥210 million per year	An amount corresponding to the level of net income attributable to owners of the parent, from ¥0 to ¥140 million	No more than 50,000 points per year (each point is worth one share)	No more than 50 million yen and no more than 50,000 shares per year
Proportion ^{*2}	60%	20%	10%	10%

*1 Total for all eligible directors

*2 Officers' compensation based on a points system linked to share price and restricted share-based compensation are calculated with reference to historical share price levels, etc. The proportions of each type of compensation vary depending on the amount of performance-linked compensation paid and the Company's share price.

Performance-linked compensation

The Company has introduced performance-linked compensation indexed to net income attributable to owners of the parent, aimed at encouraging morale and desire for enhanced consolidated performance among directors (excluding outside directors and directors who are Audit & Supervisory Committee members) and reflecting the Group's business performance in compensation.

Restricted share-based compensation

The Company has introduced restricted share-based compensation aimed at raising awareness of the enhancement of corporate value and shareholder-oriented management among directors (excluding outside directors and directors who are Audit & Supervisory Committee members). Under this system, shares of the Company's common stock, subject to a designated period of transfer restrictions, are granted to eligible directors after the elapse of a prespecified period of time after they cease to serve as either a director or executive officer of the Company through retirement or resignation.

Officers' compensation based on a points system linked to share price

The Company has introduced compensation based on a points system linked to share price, for directors (excluding outside directors and directors who are Audit & Supervisory Committee members) with the aim of further strengthening the incentive for directors to increase corporate value and further deepen shareholder-oriented management during their terms of office. Eligible directors are allotted a specific number of points each year under the system and receive an amount in cash equivalent to their accumulated points multiplied by the average share closing price of the Company during the six-month period immediately prior to retirement.

Thorough Enforcement of Compliance and Risk Management

The Group is engaged in initiatives to further strengthen its compliance and integrated risk management systems in order to respond accurately and appropriately to changes in the business environment, as well as factors such as the diversification and increasing complexity of operations.

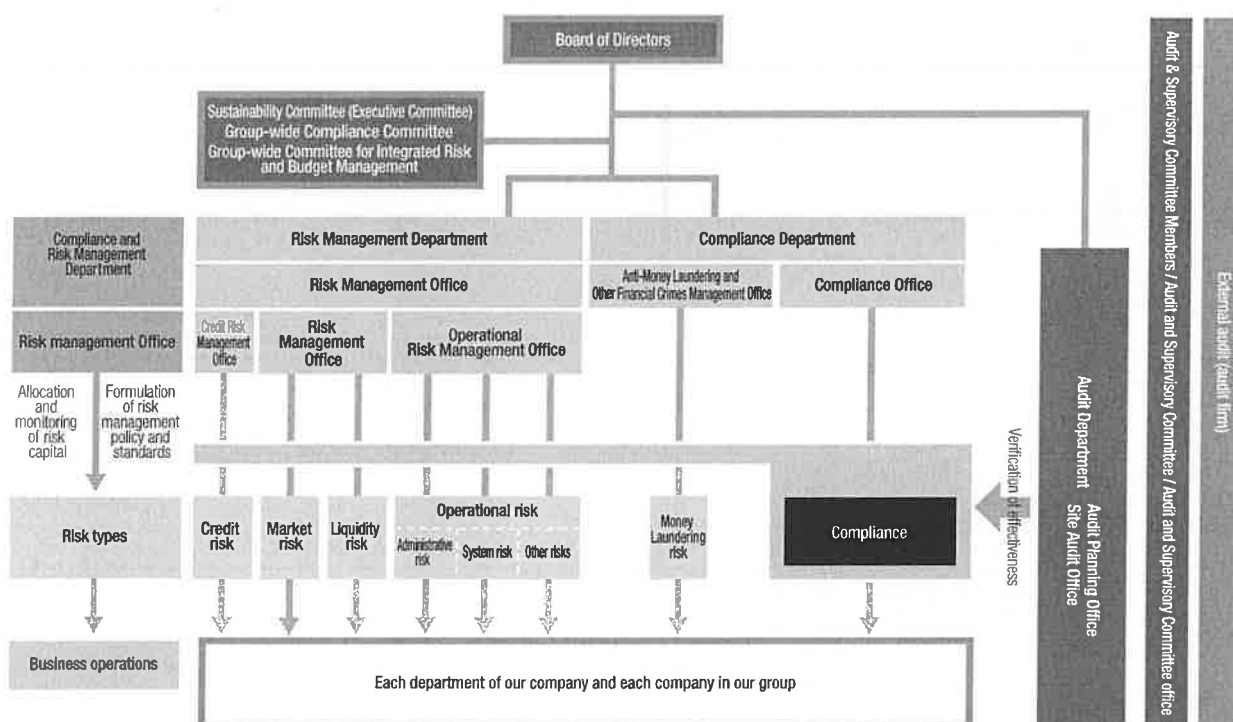
Basic Compliance Policy

As a member of the local community, the Group complies with laws, regulations, and social norms and embraces a spirit of fair play. To achieve a harmonious relationship with the community for further development,

the Group established an Ethical Charter, which sets out our basic compliance policy.

Ethical Charter	
Gaining Trust	We are constantly aware of the importance of the Group's social responsibility and public mission. As a financial group, we strive to build unshakable trust through sound business management.
Compliance with Laws, Regulations and Rules	In the conduct of our business, we comply with laws, regulations, and rules, and on the basis of honesty and fairness, we adhere to social norms as a member of society.
Social Etiquette and Fair Play	As executives and employees of the Group, we contribute to the development of the local community by fostering a strong social etiquette and a spirit of fair play.
Breaking Contact with Anti-Social Forces	The Group adamantly rejects the unreasonable demands made by anti-social forces and groups that offend public order and morals and absolutely refuses to deal with such groups.
Active Communication	We actively communicate with stakeholders and cooperate with them to build a strong compliance system.

Shizuoka Financial Group's Compliance and Risk Management Systems



Compliance System

At the Group, the Board of Directors formulates the Compliance Program, which is an annual action plan.

The Group-wide Compliance Committee, chaired by Group CRO (Chief Compliance and Risk Officer) with overall responsibility for compliance and consisting of directors and other executives, meets monthly to deliberate on important compliance-related matters and assess the operation of the compliance system across the Group, including the progress toward achievement of the goals of the Compliance Program. The committee reviews and revises the Compliance System as deemed necessary.

The Compliance Department monitors the functioning of the compliance system through integrated management of compliance-related information to prevent possible compliance violations and strengthen the compliance system. Compliance Officers and officers responsible for Customer Protection Supervisor assigned to the Compliance Department provide guidance to the Bank's branch offices and conduct monitoring, through on-site checks.

Each group company also promotes compliance through the formulation and implementation of compliance programs, and reports on the status of compliance to the Compliance Committee of each company.

Cultivating Compliance-centered Corporate Culture

Management is actively involved in compliance activities to enhance awareness of all employees of the Group concerning compliance. For example, directors directly give instructions about compliance, taking the opportunity of branch managers' meetings and visits to branch offices.

The Group's measures to foster and raise compliance awareness include the following:

"Opinion Box" Internal Reporting System

For early detection and remediation of compliance-related issues, such as violation of laws and regulations, the Group has established the "Opinion Box," an internal reporting system via which all executives and employees of the Group can directly report, so as to enhance the self-corrective function.

Reports can be made to Group CRO, the Compliance Management Department, and attorneys' offices by phone, in writing, by email, or through groupware regardless of whether anonymous or not. The content of the postings will be handled by "trade call response personnel" who are legally obligated to maintain confidentiality, and the name of the person making a report will not be disclosed without his or her consent. In order to encourage use of the Opinion Box, it is stipulated that under no circumstances are executives or employees permitted to seek to identify the person reporting and no one who reports shall be treated unfavorably.

Countermeasures to Prevent Money Laundering and Provision of Funds to Terrorists

The importance of countermeasures to combat money laundering and the provision of funds to terrorists is increasing in recent years, as an issue that Japan and the international community must tackle. The Group regards these issues not only in terms of compliance, but also in terms of coping with the risks, which may develop into management issues. As such, the Group is making a concerted effort to enhance the effectiveness of such countermeasures. The control system established by the Group is based on the idea of "three lines of defense" indicated in the "Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism" established by the Financial Services Agency.

The Group will continue to cooperate with related government departments and agencies to strengthen countermeasures to combat money laundering and the provision of funds to terrorists, aiming to eliminate criminal organizations and activities from the Bank's finances, and continuing to provide safe and convenient financial services.

Shizuoka Bank Group's Control Systems

Category	Department	Role
First line of defense (sales division)	Branches, loan centers etc.	Proper understanding and accurate executing of policy and procedures
Second line of defense (management departments)	Anti-Money Laundering and Other Financial Crimes Management Office, Department responsible at headquarters	Monitoring and support of the first line of defense (sales division)
Third line of defense (Internal Audit Division)	Audit Department	Verification of the effectiveness of countermeasures to combat money laundering and the provision of funds to terrorists

Risk Appetite Framework (RAF)

The Group has clarified the risk appetite (types and amount of risks that the Group is willing to take) in order to realize its corporate philosophy and management targets, and uses RAF as a method of corporate administration and risk management.

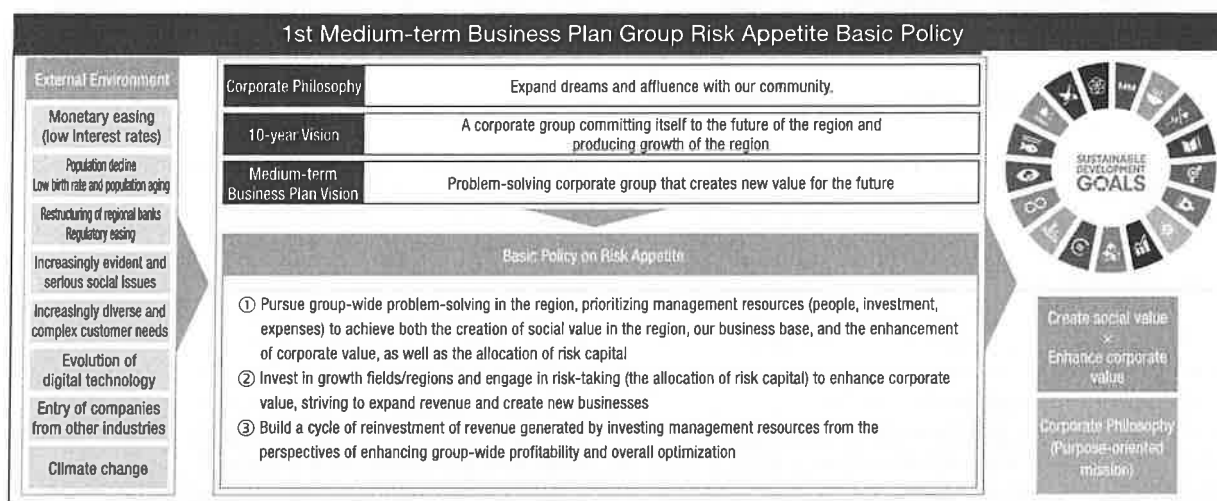
The specific process is shown in the table to the right. The aim is to use RAF to realize optimum risk-return and achieve medium- to long-term growth of the Group.

1 Analysis of management environment

2 Compilation of business plan based on risk appetite

3 Monitoring of operating status

4 Flexible review of risk appetite



Integrated Risk Management Systems

The Group has established a basic framework, including definitions of risk, an organizational structure for risk management, and specific risk control procedures based on the Basic Risk Management Regulations, which lay down the fundamental principles that underlie our approach to risk management.

To ensure an appropriate balance between raising earnings levels and financial sustainability, the Group's risk management is based on the allocation of risk capital as an integral part of its integrated risk management system.

The allocation of risk capital is a mechanism to ensure the soundness of management by keeping risk within a manageable range. The Group defines core shareholder's equity as capital for allocation and allocates it to all departments involved in business execution. Even if market risk, credit risk and other risks were to materialize, the resulting losses would be controlled within the bounds of shareholders' equity.

Credit Risk Management System

The Credit Risk Management Office of the Compliance and Risk Management Department is responsible for overall management of credit risk relating to the Group's operations both in Japan and overseas in order to maintain and enhance the soundness of the Group's loan asset portfolio. In the Group's internal rating system, including its borrower credit rating system, which is the foundation stone of its credit risk management, the Credit Risk Management Office of the Compliance and Risk Management Department is responsible for the design of the system and supervision of its operation; the Credit Planning Office of the Credit management departments of group companies is responsible for the day-to-day operation of the credit rating system; and the Risk Management Office is responsible for verification of the appropriateness of the system. Mutual checks and balances among these three units facilitate greater precision and proper functioning of the Group's internal ratings system.

The Credit Risk Management Office uses statistical methods to quantify latent credit risk in the Group's loan portfolio. In this way, the Group accurately assesses the amount of future risk, monitors the concentration of loans to particular large borrowers or specific industries, and thus controls the portfolio to avoid excessive credit risk.

The Audit Department, which is organizationally independent of the Banking Division, the Business Support Department, and the Risk Management Department, audits the appropriateness and effectiveness of the design and operation of the credit risk management system.

Market Risk Management System

In market transactions, the Group limits the amount of risk capital allocated and sets various restrictions, such as on gains or losses from valuation of investment securities, and on the amount of exposure or loss depending upon the risk profile of each transaction or financial instrument. In this way, the Group keeps market risk within certain defined levels.

For banking account transactions, centering on deposits, loans, and investment securities, the Business Strategy Planning and Business Strategy Office of the Corporate Planning Department formulates the hedging policies based on current risk conditions and on the outlook for interest rates so as to keep risk volume within a certain range, and these policies are deliberated at the Committee for Integrated Risk and Budget Management.

The market division of Shizuoka Bank and others is strictly separated into departments conducting transactions, administrative and control departments, and an independent risk management department for mutual checks and balances. Moreover, the Audit Department, which is independent of the departments responsible for executing transactions, verifies the effectiveness of the mutual checks and balances between these three departments.

Liquidity Risk Management System

The Group has separate yen and foreign currency-denominated financing management departments Fund and Foreign Exchange Group of the Treasury Department, Business Strategy Planning and ALM Group of Corporate Planning Department, Treasury and International Operations Center of Treasury and International Operations Department etc. of Shizuoka Bank, and a liquidity risk management department (Risk Management Group of the Compliance and Risk Management Department) that is entirely independent of the financing management departments. In this way, the Group has put in place a system that provides mutual checks and balances. The Fund & Foreign Exchange Group of the Treasury Department, which is one of the financing management departments, controls fundraising requirements within procurable levels to avoid excessive fundraising. We conduct stable fund management activities, paying close attention to market conditions. Moreover, the liquidity risk management department monitors the status of financing management departments and assesses the stability of the assets-liabilities structure.

To handle unforeseen circumstances, we proactively prepared an emergency cash flow management system, assuming four stages of emergency: "Stage 1 (preventive stage)"; "Stage 2 (attention required stage)"; "Stage 3 (liquidity concern stage)"; and "Stage 4 (insufficient liquidity stage)". We predefined countermeasures and authorized persons for each stage, thereby forming a structure capable of swiftly responding to issues should they arise.

With regard to market liquidity risk, the liquidity risk management department routinely monitors the status of highly liquid asset holdings that can be easily monetized. The market division of Shizuoka Bank and others addresses market liquidity risk by selecting investment assets based on their liquidity and setting limits on specific stocks and holding periods.

Operational Risk Management System

Each risk category is managed by a dedicated unit of the Bank, while the Operational Risk Management Group of the Compliance and Risk Management Department is responsible for overseeing and managing operational risk throughout the Group. In line with our basic policies on operational risk management, we are taking steps to strengthen our operational risk management system through a range of measures including the compilation and analysis of internal loss data and the implementation of a risk control self-assessment. The Audit Department, which is organizationally independent from any of the units that it audits, verifies the effectiveness of the risk management system through on-site inspection, etc.

Administrative Risk Management

The Group has established the Administrative Risk Management Rules that include the Group's basic policy for administrative risk management and executes operations in accordance with the rules. For administrative incidents that occur, we take preventive steps by according priority to measures for incidents involving higher risk to reduce administrative risk. In response to diversification of operations and increasing transaction volumes, we are promoting the shifting of the administrative function at our branches to a shared services center and the introduction of IT systems to enhance efficiency and thus avert operational risk.

System Risk Management

The Group positions IT systems as a part of information assets. We have established the Basic Policy for Information Asset Security Measures (Security Policy) that includes our basic policy for dealing with system risk. We are implementing various security measures based on the Standards for Information Asset Security Measures (Security Standards) to ensure secure operation of the IT systems.

Prompt and Appropriate Disclosure

To ensure prompt and appropriate provision of corporate information to the Group's stakeholders, the Group conducts comprehensive information disclosure in accordance with the Banking Law and the Financial Instruments and Exchange Act and the securities listing regulations of the Japanese stock exchanges. The Group also conducts voluntary proactive disclosure by appropriately disclosing information in a consistent, transparent, and impartial manner.

The Information Disclosure Regulations, which set out the policy, procedures, and systems, on information disclosure (Information Disclosure Policy), have been determined by the Board of Directors. In accordance with the Information Disclosure Regulations, the Corporate Planning Department centrally manages various information generated by each group, and the information is disclosed after implementing the predetermined approval procedure according to the specified authorization classification. To maintain prompt and appropriate disclosure, when necessary, the Corporate Planning Department confers with the Compliance Department and the auditing firm, while the Internal Audit Division periodically verifies the appropriateness and effectiveness of the systems and operational administration concerning disclosure.

Cyber-security

Framework for managing cyber-security

Cyber-attacks have a serious impact on vital infrastructure services in Japan and overseas. As economic activity and communication through the Internet become the norm, the threat of these attacks is rising. The Group identifies the risk of cyber-attacks as a key management issue. Since cyber-attacks are becoming ever more sophisticated and ingenious, in addition to continually promoting security measures, we have established our Cyber-security Management Policy and work daily to defend the Group from attack.

We have established the Group's CSIRT*¹ as a group-wide body under the Group's CRO, to implement a management-led response to cyber-attacks. The CSIRT collects and communicates information on cyber-security threats, investigates and handles any attacks detected, and implements various security measures.

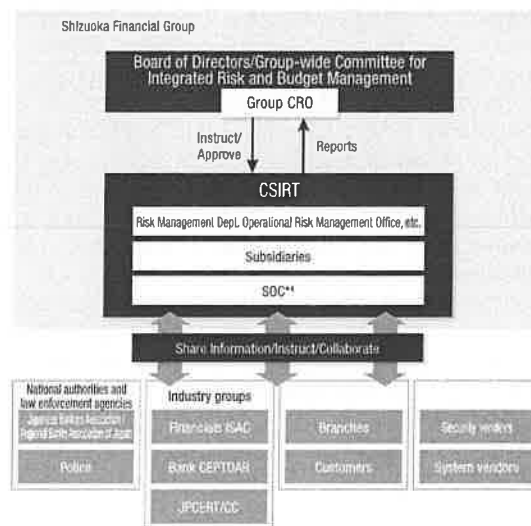
The CSIRT has also concluded an agreement on joint countermeasures with the Shizuoka Prefectural Police Headquarters, joined the external organizations Financials ISAC Japan*² and the Nippon CSIRT Association*³, signed an exclusive contract with a security company, and prepared a framework enabling a rapid response to any cyber-attack. Through cooperation with these external organizations, we are working to enhance the effectiveness of our cyber-security management framework.

*¹ An abbreviation of Computer Security Incident Response Team, the CSIRT handles cases related to computer security

*² An incorporated organization established as a mechanism for sharing information on cyber-security between financial institutions and cooperating on the implementation of countermeasures

*³ An organization possessing specialist knowledge of which many CSIRTs within companies are members

*⁴ Established within Shizuoka IT Solution as the Group's own specialist organization (security operation center (SOC)) with centralized responsibility for technical security assessment



Education and training

The Group believes that improving the digital literacy of the Group's officers and employees is vital to prepare for possible cyber-attacks. We engage in continuing education and awareness activities through initiatives such as information security seminars and e-learning targeting all officers and employees, sharing the latest security developments, and training on how to handle suspicious emails.

Our officers and employees, primarily the CSIRT, also participate in various training sessions and exercises organized by Financials ISAC, the National center of Incident readiness and Strategy for Cybersecurity (NISC), and other organizations, and we are working to develop an even more sophisticated framework for managing cyber-security.

Internal Auditing

The Group aims to achieve more sophisticated corporate governance from both offensive and defensive perspectives making the holding company a company with an audit and supervisory committee, in order to make the governance structure flexible and robust in line with the expectations of stakeholders, and to create a highly objective and transparent management structure.

The Audit Department, which is the internal audit division of the holding company, is engaged in continually enhancing the quality of internal auditing to give more support to this governance structure through internal auditing.

■ The role of internal auditing (purpose and mission)

The mission of internal auditing is to raise and protect the value of the organization. The Audit Department engages in various activities to assist in achieving the organization's goals.

■ Operational framework for Group-wide internal auditing

The Audit Department conducts internal auditing activities based on the directions of the Group's Chief Internal Audit Officer (CIAO), under the supervision of the Board of Directors. To ensure objective and effective internal auditing, it is independent of the executive division and ensures that the executive division is kept in check.

The Board of Directors establishes the Internal Audit Rules, including auditing policy within the group, and resolves the internal audit plan.

The Audit Department conducts internal audits of the Company's departments and group companies regarding their compliance and risk management systems and other matters concerning the appropriateness and effectiveness of internal controls.

The results of internal audits are reported regularly to the Board of Directors and the Audit & Supervisory Committee, and follow-up is carried out regarding proposals to remedy issues and the status of reform measures and improvements.

The divisions and personnel responsible for internal audits at group companies also conduct internal auditing and related activities, and a framework is in place for the integrated management of internal auditing activities across the Group by the Group's CIAO.

- Coordination between the internal audit division and other bodies

The Audit Department has established regular opportunities for the exchange of opinions and information sharing with directors, including outside directors, Audit & Supervisory Committee members, including outside Audit & Supervisory Committee members, representatives of Group companies, and others associated with the internal audit division, and endeavors to provide advice and other communications that contribute to group-wide management.

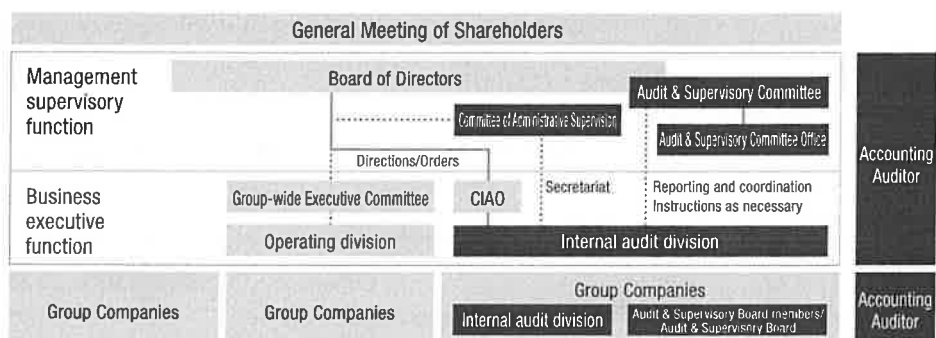
Coordination with the Audit & Supervisory Committee	<ul style="list-style-type: none"> • The results of internal auditing are reported by the CIAO at meetings of the Audit & Supervisory Committee. • Moreover, when establishing internal audit plans, policies on formulation, etc. are reported to the Audit & Supervisory Committee and the opinions and advice of its members are sought before these policies are reported to the Board of Directors.
Coordination with outside directors	<ul style="list-style-type: none"> • At the Shizuoka Financial Group, the Committee of Administrative Supervision has been established as an optional committee for the purpose of reinforcing the executive supervisory function of the Board of Directors. This committee engages in activities such as monitoring the status of business execution by the executive division. • The committee is composed of the Company's outside directors, with all Audit & Supervisory Board members of The Shizuoka Bank, including outside members, attending meetings as observers. The Audit Department serves as the secretariat for the committee. Meetings serve as a forum for the opinions, advice, and other comments of each officer.
Coordination with the full-time Audit & Supervisory Committee member	<ul style="list-style-type: none"> • A monthly information exchange session is held between the full-time Audit & Supervisory Committee member, the full-time auditors of the Bank, and the Audit Department.
Coordination with the CEO	<ul style="list-style-type: none"> • The CIAO attends the regular meetings of chief officers and endeavors to share information.

■ Initiatives to achieve higher-quality, more sophisticated internal auditing

The Audit Department is undertaking various initiatives to ensure that it implements effective, high-quality internal auditing adapted to changes in the management and business environments.

After evaluating the risk inherent in the companies, sections, and operations subject to internal audit, it determines the targets, frequency, depth, and other parameters of the internal audits to be implemented each fiscal year to efficiently allocate auditing resources.

The department works to develop its human capital by promoting the acquisition of international internal auditing qualifications and encouraging participation in external seminars and similar events. It also strives to enhance the quality of internal auditing. This includes considering the use of external agencies for areas where specialist knowledge is required.



Note: The bodies and divisions shown in white letters engage in mutual coordination

Meet needs of corporate customers

While the impact of the COVID-19 crisis is easing, the management issues faced by our customers are becoming more complex, such as soaring raw materials and fuel prices, personnel shortages, and the need to decarbonize. As a partner to our customers, we will work to solve a variety of issues, thereby enhancing their corporate value and contributing to the sustainable development of the region.

Support menu for solving management issues provided by our group

We support the sustainable growth of regional communities and customers by providing a menu of services that respond to the increasingly diverse and complex business challenges of our business partners through group-wide cooperation.



A close support system to help customers solve their management issues



*Aug. 1, 2023, the company name changed to Shizugin Card.

Attentive support for customers



For customers affected not only by the COVID-19 crisis but also by the depreciation of the yen and high prices of raw materials, we are always close to them, providing the necessary support at the right time. In particular, we are strengthening our close support for COVID-19 loan customers who are facing the expiration of their interest subsidy period, as well as support that leads to solving management issues with perspectives on after COVID-19.

Financing Support

Amount of COVID-19 related loans executed

20,314 cases	6,089 JPY bn
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*Total by the end of September 2022

Actual utilization of COVID-19 Refinancing Guarantee Program*

215 cases	55 JPY bn
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*Support Guarantee Programs for close support after January 10, 2023.

Core Business Support

Number of business matching contracts

1,525 cases (FY2022)

Number of HR referral Contracts

68 cases (FY2022)

Business Restructuring Support

Number of business restructuring subsidy applications supported

542 cases	Of which 314 adopted
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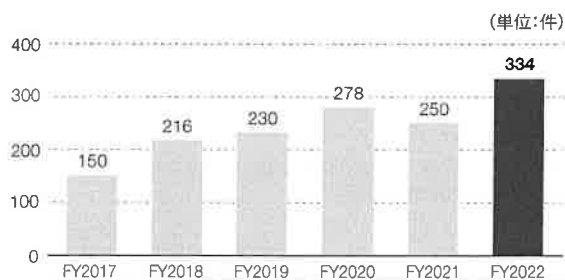
Business Succession and M&A

With the increasing age of business proprietors, smooth business succession has become a social issue. In this context, we make maximum use of the Group's problem-solving abilities, including our consulting and funding functions, to support business succession for our customers.

We not only understand proprietors' intentions and the direction of future business development, but also matters outside the immediate scope of the business such as the family structure and situation, working with the Bank and Shizugin Management Consulting playing a central role, and in cooperation with tax accountants and other external specialists to support our customers as they carry out business succession within the same family or M&A.

Through the management of business succession funds, we also support the capital policy of our customers, in ways such as aggregating shareholdings dispersed within and outside families, and responding to demand for the temporary holding of shares.

Number of business succession and M&A issues resolved*¹



*¹ Total number of M&A and business succession consulting contracts and business matching contracts concluded by Shizuoka Bank and Shizugin Management Consulting.

Results of M&A consulting*²



*² Total number of contracts and contracts concluded by Shizuoka Bank and Shizugin Management Consulting

Business Improvement

The Bank established the Corporate Management Support Group in 2003, and has been actively working to provide customers with support for business improvement, not limited to financial support. With the expansion of COVID-19 having a significant impact on many customers, we increased the number of staff in charge by approximately 20% in stages and strengthened our support system. In FY2022, we worked to support 804 customers (excluding performing customers) for business improvement, assisted 703 customers in formulating and monitoring plans, and upgraded credit rating of 20 customers.

Looking ahead to after COVID-19, we will provide full support for our customers' business continuity by focusing more than ever on providing management improvement support in an accompaniment style that is close to our customers.

Achievements of Business Improvement Support

	FY2021	FY2022
Percentage of Business Improvement Support	6.4%	7.1%
Number of customers supported for business improvement A*	764	804
Number of borrowers at beginning of period	11,872	11,338
Percentage of revitalization plans formulated (B÷A)	89.1%	85.6%
Number of customers with revitalization plans B	681	703
Number of customers supported for business improvement A*	764	804
Percentage of credit ratings upgraded (C÷A)	3.9%	3.5%
Number of customers with upgraded credit rating C	30	20
Number of customers supported for business improvement A*	764	804

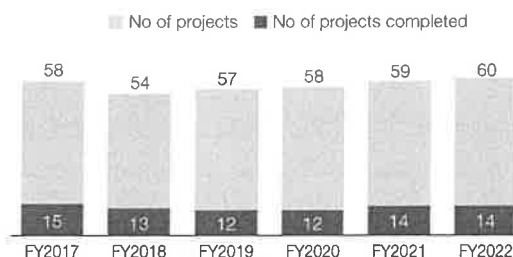
*Excluding performing customers

Support for business restructuring and turn around

Customers that have a significant impact on the local economy and require prompt and drastic support are selected for intensive support, and we are working to provide smooth business revitalization support, mainly through the Bank, Shizugin Management Consulting, and Shizuoka Capital, in cooperation with experts from the Shizuoka Prefecture SME Revitalization Council and outside consulting firms.

In FY2022, we supported 60 companies and completed support for 14 companies by utilizing the most appropriate scheme for each target company, such as business revitalization funds and M&A.

With the prolonged expansion of COVID-19, we anticipate that our customers' needs for support in changing or closing their businesses will increase. We will continue to respond in detail to the various issues faced by our customers, such as business model conversion and business withdrawal.



**Has completed business restructuring
for about 300 firms since FY2005**

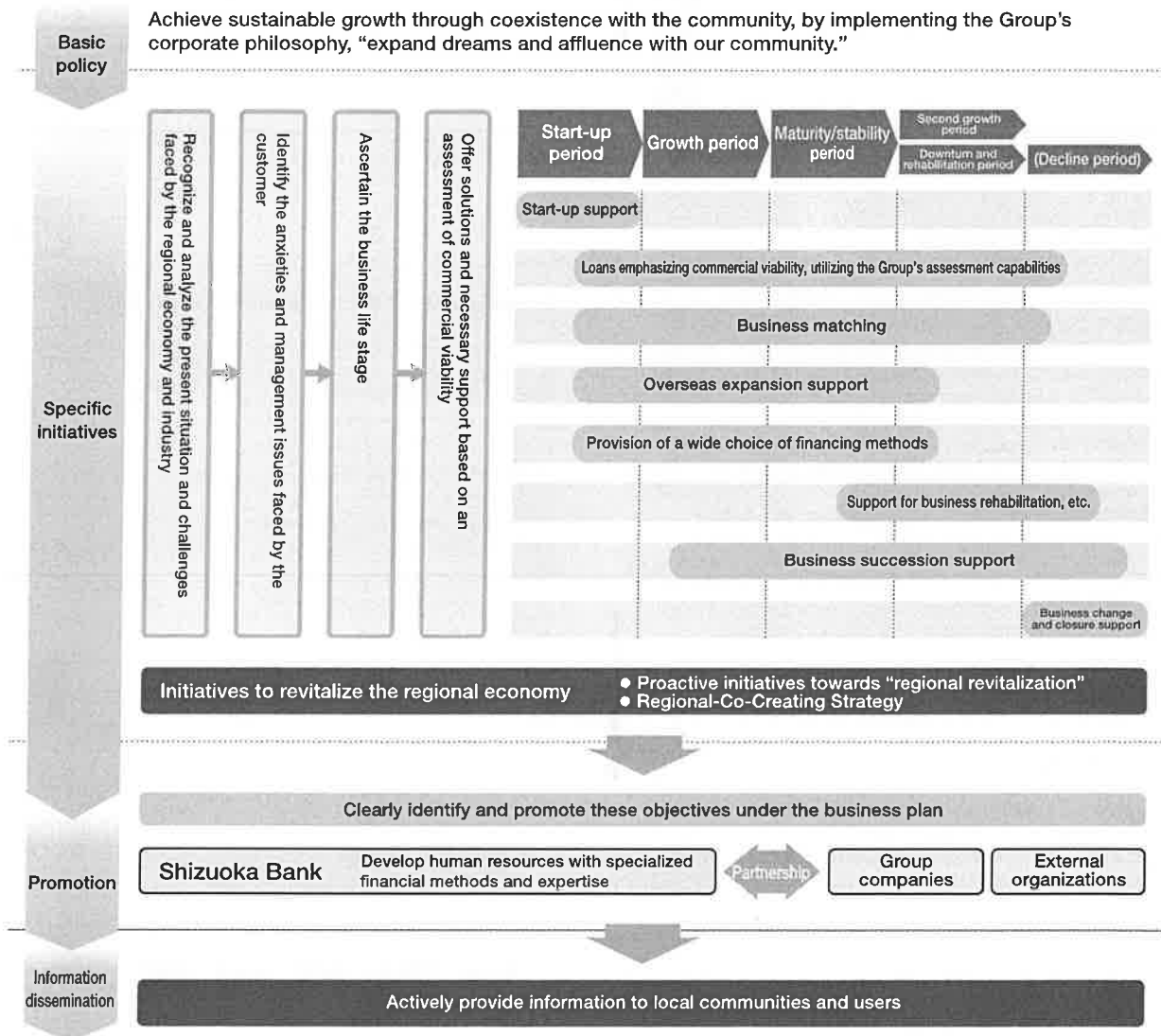
**Saves labor opportunities for opportunities for labor
for about 27,000 people and maintain economic
power in the local community**

Region-based Relationship Banking

Basic Policy

Region-based relationship banking is a business model whereby financial institutions cultivate long-term relationships with customers and offer financial services based on their grasp of customer needs obtained through the relationships.

Our basic policy on region-based relationship banking is to “achieve sustained growth in tandem with the region by adhering to the corporate philosophy, ‘expand dreams and affluence with our community.’” By putting this corporate philosophy into practice under the medium-term business plan and annual plans, we are promoting region-based relationship banking and aim to achieve sustained growth by cultivating mutually beneficial relationships with our customers in the region through the provision of value-added services attuned to their needs.



Support for Overseas Business Development

Support for Overseas Business Development

We have established a support system to provide a wide range of consultation services to customers who are considering expanding overseas or already doing business overseas, both domestically and internationally. We utilize the overseas network of the Group to capture growth opportunities in global markets and strengthen the dissemination of information to customers.

Support Systems within Japan

Staff responsible for forex solutions, featuring bank personnel with overseas service experience, are stationed in the Bank's International Department, which is engaged in the planning and supervision of support for overseas business development.

Staff responsible for forex solutions cooperate with domestic branches to respond to diverse customer needs, for example providing information on the overseas investment environment, support for expanding sales channels, and financing for overseas businesses.

In addition, they provide information on a broad range of issues, not limited to finance, for customers entering overseas markets for the first time, including lifestyle, accommodation and education for Japanese staff stationed overseas.

Support Systems Overseas

To support customers in the development of their overseas business, the Group has six overseas offices: two in the U.S. (New York and Silicon Valley), one in Europe (Brussels), and three in Asia (Hong Kong, Singapore, and Shanghai).

In Asia where robust economic growth is continuing, in addition to the Bank's own offices, we have established a network covering the region through business alliances with local financial institutions, providing hands-on support from overseas expansion to local business development.

Many of our customers are developing their businesses in Thailand, Vietnam, and Indonesia. The Bank has dispatched its staff to these countries to provide customers proactive support in local business expansion.

Support Menu for Overseas Business Development

•Consultation on overseas business development

The Group provides the latest information and fine-tuned services to meet diverse customer needs, including overseas business development, transactions with foreign companies, and foreign investment.

•Support for export and import transactions

Capitalizing on its experience and overseas network, the Group facilitates customers' transactions.

•Financing services

The Group provides advice on a range of financing schemes for customers' local subsidiaries overseas, including cross-border loans from domestic branches, and stand-by letters of credit to facilitate loans in local currency from our partner financial institutions.

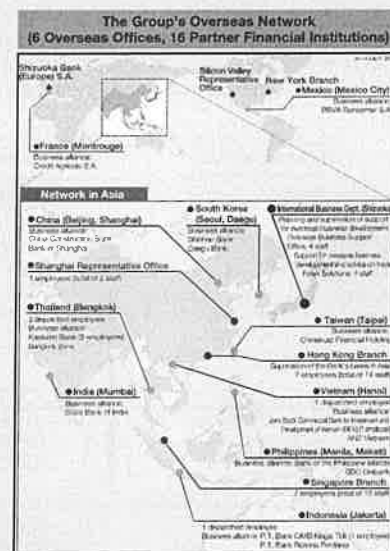
•Guidance on foreign exchange, including overseas remittance and forex risk hedging

Topics

Initiatives to Support the Development of Overseas Sales Channels

We gather information through our overseas offices and endeavor to coordinate with local authorities and external bodies to support our customers to develop overseas sales channels.

In fiscal 2022, we worked with The Yamanashi Chuo Bank to organize individual business talks on food exports with buyers in China as part of our "Shizuoka Yamanashi Alliance." In January 2023, we also concluded a business partnership agreement on business matching with Alibaba.com Japan Co., Ltd., which provides Japanese companies with services from Alibaba.com, one of the world's largest online B2B matching platforms.



Cross-industry Collaboration and Support for Start-ups

Ever since we began our capital and business alliance with Monex Group in April 2014, we have been working with companies from different industries to provide new added value. By leveraging the networks we have developed through our investments in venture capital funds and other initiatives, we will accelerate the return of leading-edge technologies to the region and step-up support for start-up firms, building an ecosystem that generates new collaboration and innovation to contribute to the revitalization of the regional economy.

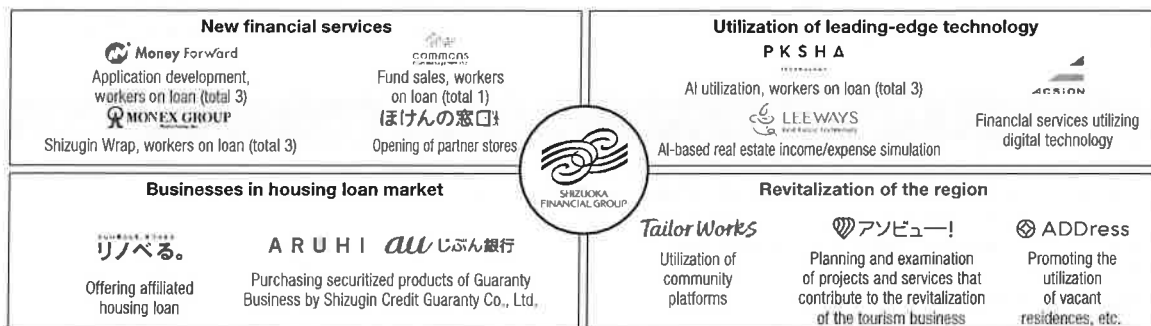
Cross-industry Collaboration

To achieve sustainable growth starting with the creation of a new business model, the Group is working with companies from other industries, including Monex Group, Money Forward, and Hoken no Madoguchi.

In fiscal year 2022, we entered into strategic partnerships with two companies and worked together on businesses that contribute to regional revitalization: asoview!, which provides solutions to the tourism and leisure industries, and Address, which promotes the utilization of vacant residences and accommodation facilities.

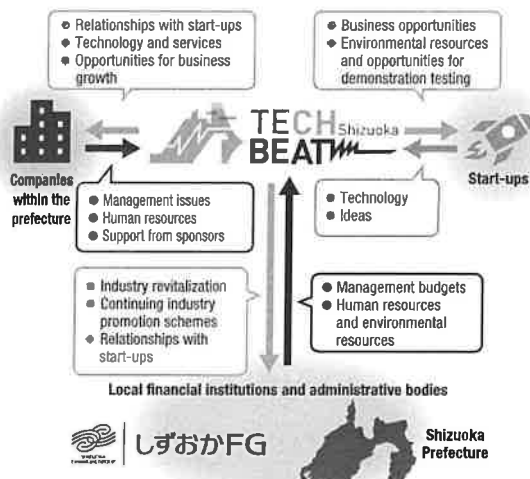
Cross-industry collaboration is an initiative that creates new added value over and above our existing financing function. We will continue to actively strive for regional problem-solving and innovation.

Efforts in cross-industry collaboration so far



TECH BEAT Shizuoka

TECH BEAT Shizuoka is an open innovation program aimed at revitalizing industry within Shizuoka Prefecture and creating new businesses through collaboration between businesses in the prefecture and start-up firms with leading-edge technologies. The prefectural government and the Bank act as the project's secretariats. The project organizes business matching events such as individual business talks and various seminars on leading-edge technologies to provide forums for problem-solving through encounters between businesses in Shizuoka Prefecture and start-up firms. It is also involved in the operation of a visitor participation-based online business platform. A total of eight events have been held as of March 31, 2023, attracting a total of approximately 34,000 participants, as well as approximately 1,400 individual business talks.



TECH BEAT Shizuoka 2022

TECH BEAT Shizuoka 2022 was held for all industries on July 20–21, 2022. It was held offline for the first time in three years. It welcomed approximately 3,000 attendants and featured lively business talks with 59 start-up firms. This event led to the creation of several cases of business collaboration between companies in Shizuoka Prefecture and start-up firms.

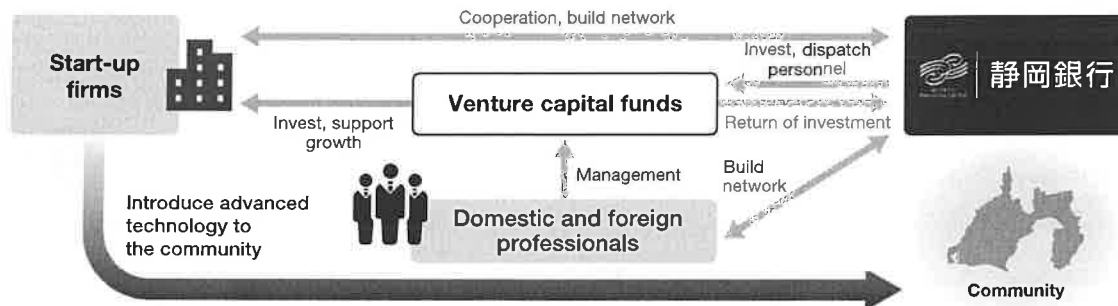


Networking with Start-up Firms

We decided to invest in eight new venture capital funds in fiscal year 2022. To date, we have invested a cumulative total of 20.1 billion yen in 23 funds.

In addition to building a network with start-up firms by investing in venture capital funds and dispatching employees, we are strengthening our efforts to develop human capital closely familiar with the businesses of start-up firms.

Under our 1st Medium-term Business Plan, we aim to expand our investments in venture capital funds to around 40.0 billion yen by fiscal 2027. As well as supporting start-up firms and building a network through these funds, we aim to create an ecosystem that introduces advanced technology to the community and creates new businesses.



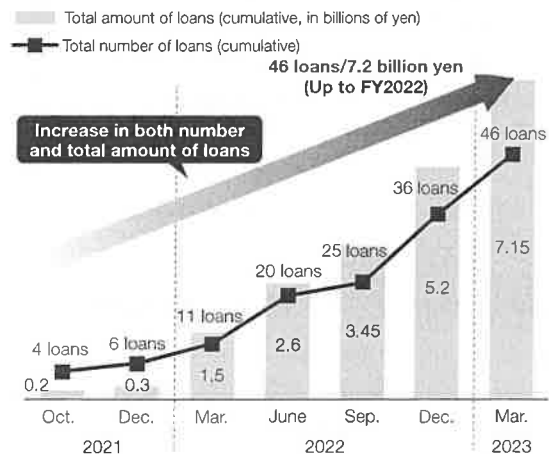
Loans to Start-up Firms (venture debt)

The Bank established "Start-up Supporting Project Team" and started offering venture debt in 2021.

The number of loans and the total amount are both increasing steadily. In October 2022, we revised the organizational structure to establish the Start-up Business Support Department, and we are working to enhance our support framework for start-up firms, including investment, loans, etc.

We engaged in a variety of projects, including social loans, loans to deep-tech start-ups under the METI's debt guarantee program, and loans with stock acquisition rights. We had implemented 46 such projects totaling 7.2 billion yen by the end of fiscal 2022.

Under our 1st Medium-term Business Plan, we have set a target to increase venture debt to around 100.0 billion yen by fiscal year 2027, and we will further strengthen our support for start-up firms.



TOPICS

Social Loan Initiatives for Start-up Firms

In June 2022, we entered into a "social loan*" agreement with Gojo & Company, Inc. (CEO: Taejun Shin) aimed at contributing to the resolution of social issues and inclusive financing (the first time for the Bank).

Over a billion people around the world, mainly in developing countries, are unable to adequately access financial services. To address this social issue, Gojo & Company, Inc. currently provides financial services in five countries (India, Sri Lanka, Myanmar, Cambodia, and Tajikistan) through the implementation of technology and the optimization of operations.

The Bank has made a social loan to Gojo & Company, Inc. to fund the microfinance business operated by its group company in India.

*A loan that can only be used to fund social projects (projects that address or mitigate social issues or aim to achieve a positive social impact)



New Business Fields

By taking the challenge to enter new business domains linked to the resolution of social issues in the region, we will strive to implement the Regional Joint Creation Strategy and the Group Business Strategy set forth in our 1st Medium-term Business Plan, aiming to achieve both a sustainable local community and sustainable growth for the Group.

Pioneering New Business Fields

With the revisions to the Banking Act, we are now able to handle a diverse range of businesses outside the financial field that contribute to the sustainability of the region. We will effectively leverage the management resources of the Group to address labor shortages, the expansion of sales channels, and other issues faced by the community and our customers, taking the challenge to enter business fields previously closed to us under laws and regulations. In this way, we aim to boost the attractiveness of the region and contribute to its revitalization and growth.

Four Key Points to Pioneer New Business Fields

- 1 Bring about a sustainable regional society
- 2 Develop businesses that capture changes in social structure
- 3 Pursue profitability and growth
- 4 Effectively apply management resources

Issues faced by the region and our customers

IT/DX
Labor shortages

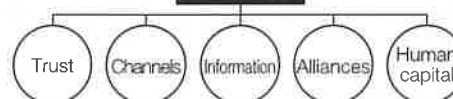
Needs of the region and our customers

Sales channel expansion
Branding

×

Effectively apply management resources

Shizuoka FG



Acquisition of TJS Co., Ltd. as a Wholly-owned Subsidiary

On February 1, 2023, the Group acquired the shares of TJS Co., Ltd. (TJS), making it a wholly-owned subsidiary.

With the emergence of labor shortages in the context of progressive population decline and the aging of society, local companies are confronted with challenges such as implementing labor-saving and automation to supplement these shortages and securing human capital with expertise in IT and DX.

TJS has been engaged in the software development business and the temporary staffing business ever since the time of its foundation in 1979. In the software development business, it provides high-quality information systems and solutions based on its outstanding IT expertise and abundant achievements in system development. In the temporary staffing business, it possesses an extensive track record and customer base as a major temporary staffing operator in Shizuoka Prefecture, with a large number of staff on its books.

Going forward, we will meld the Group's management base with TJS's strength in IT/DX and its human resources support capabilities to contribute to achieving a sustainable regional society through regional problem-solving.

The acquisition of TJS as a wholly-owned subsidiary marked the first time the Group had been authorized as an advanced banking service company for other industries since the revised Banking Act came into force in November 2021.

TJS



Software development

×

Support for customers' introduction of IT

Temporary staffing

×

Personnel placement

We will combine the business fields covered by TJS, which has a track record of over 40 years in the software development and temporary staffing businesses, with those of the Group, aiming to generate synergies to solve our customers' IT, DX, and human resources issues.

● Company name:	TJS Co., Ltd.
● Head office address:	13-9 Hirakawaji, Shimizu-ku, Shizuoka City, Shizuoka
● Representative:	Norimasa Yamamoto
● Description of business:	Software development business, Temporary staffing business
● Capital stock:	¥12 million
● Date of establishment:	October 12, 1979

*Advanced banking service company for other industries:

· A subsidiary of a banking holding company designated under Article 52-23, Paragraph 1 (xiv) of the Banking Act; specifically, a subsidiary of a banking holding company that uses digital technology to engage in operations that contribute to greater convenience for the bank or its users, or that contribute to the revitalization of the region

Establishment of SFG Marketing Co., Ltd. to Support Regional Problem-solving and Development

In July 2023, we established SFG Marketing Co., Ltd. together with Dentsu Group Inc. to support various marketing initiatives in the region.

The social environment and lifestyles have undergone great changes due to the rapid progress of digitalization in society in the wake of the COVID-19 pandemic, and the perceptions and behavior of consumers are also becoming more diverse and complex. In this context, the branding of local specialties, products and content, as well as marketing initiatives to open-up and expand new sales channels, represent key issues for the region and local companies. At the same time, demand is rising for digital marketing that duly respects the protection of personal information.

SFG Marketing will maximize the synergies by leveraging Dentsu Group's insight and expertise in marketing in addition to the platforms for data analysis and utilization, and highly detailed information on attributes and payments progressively established by the Group so far. In this way, we aim to provide services transcending the conventional limits of the finance business.

Moreover, by pursuing the expansion of businesses that contribute to marketing and other multifaceted solutions to social issues in the region, we will attract people, goods, money, and information to revitalize the region.

■ Company name logo



This logo expresses our various common connections with the people of the region through five overlapping and intermingling colors.



**Customer base with a broad range of attributes
Trust and recognition of the Group's brand**

**Business knowledge that the Group lacks
Consulting capabilities that add new attractiveness**

<Anticipated Business Domains>

Marketing support for the region and our customers

- Support for the development of sales channels
- Support for branding
- Support for the formulation of marketing strategy

Additional implementation of businesses linked to solving social issues

- Regional development that makes work more comfortable for overseas nationals
- Regional super-app
- Social business, etc.

● Company name:	SFG Marketing Co., Ltd.
● Head office address:	2-1 Kusanagikita, Shimizu-ku, Shizuoka City, Shizuoka
● Representative:	Yasuhito Sawai
● Description of business:	Marketing support for the region and customers Advertising agency services, Advertising media sales, etc.
● Capital stock:	¥100 million
● Date of establishment:	July 3, 2023
● Shareholders:	Shizuoka Financial Group, Inc. 80% Dentsu Group Inc. 20%

*SFG Marketing Co., Ltd. is an advanced banking service company for other industries and a consolidated subsidiary of the Group

Messages from the Presidents

TJS Co., Ltd.

TJS Co., Ltd. (TJS) was founded in October 1979. For more than 40 years, we have engaged in software development, temporary staffing, and other businesses under our corporate philosophy: "TJS has its eyes on tomorrow."

We pride ourselves on being the top leader in the region in each of these business domains. Since the time of our founding, we have been working to grow our businesses with an emphasis on providing high-quality solutions, being a trusted company, and being a company that gains the goodwill of those around us.

In February 2023, we became a wholly-owned subsidiary of Shizuoka Financial Group, Inc. Going forward, in addition to continuing to provide our customers with solutions, we hope to expand our businesses to create value for the region and contribute our capabilities in IT/DX and human resources as a member of the Group, to solve the increasingly diverse and complex issues of the region.

As a new wave and a committed technical group, we will work to solve the problems of the region. Go TJS!

Representative Director
Norimasa Yamamoto



SFG Marketing Co., Ltd.

SFG Marketing Co., Ltd. was the Group's first consolidated subsidiary to be established after the transition to a holding company structure in October 2022.

Reforms to the Banking Act have broadened the range of services that we can provide to the region and our customers as a regional financial institution and enabled us to assist in solving various different issues.

As our company name implies, our business pivots mainly on "marketing" support, and we refer to this business, which will contribute to regional revitalization by attracting people, goods, money, and information into the region, as "regional marketing." We will pursue initiatives with a broad perspective and progressively expand the range of services we provide.

Moreover, we will earnestly engage in addressing the various issues that face the region, and we hope to work together with you all to create new businesses linked to solving these issues.

We will do our utmost to help pioneer a sustainable future together with the region, and we hope for your support.

Representative Director
Yasuhito Sawai





Deloitte Touche Tohmatsu LLC
AOI TOWER
17-1 Koya-machi, Aoi-ku
Shizuoka-shi, Shizuoka 420-0852
Japan
Tel: +81 (54) 273 8091
Fax: +81 (54) 273 8166
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Shizuoka Financial Group, Inc.;

Opinion

We have audited the consolidated financial statements of The Shizuoka Financial Group, Inc. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Member of
Deloitte Touche Tohmatsu Limited

Determination of amounts of loans written-off and allowance for loan losses	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As disclosed in Note 3, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Allowance for loan losses" to the consolidated financial statements, the Group determines the allowance for loan losses in accordance with its write-off and allowance standards. In addition, the quality of the loans is assessed to determine the category of the borrowers by the branches and the Credit Supervision Department, with a subsequent audit performed by the Credit Examination Department, which is independent of these branches and departments, in accordance with the Group's policy and rules for self-assessment of asset quality. The Group recorded the allowance for loan losses of ¥52,336 million for loans and bills discounted of ¥10,037,128 million on the consolidated balance sheet as of March 31, 2023.</p> <p>The Group determines the category of the borrowers comprehensively considering the information of each borrower, including financial information, future forecasts, loan contract terms, transaction histories and other qualitative information. Among them, future forecasts include business plans developed by the borrowers such as budgets, medium-term management plans and business improvement plans.</p> <p>In particular, in addition to the determination of the category of the borrowers, for loans to certain large borrowers for which the allowance for loan losses is determined using the Discounted Cash Flow ("DCF") method, the Group records the allowance for loan losses by estimating the cash flows from collection of principals and interests of the loans based on the borrowers' business plans.</p> <p>As disclosed in Note 4, "SIGNIFICANT ACCOUNTING ESTIMATE (Recording of allowance for loan losses)" to the consolidated financial statements, the borrowers' business plans involve uncertainty since they include assumptions related to future forecasts such as sales projections, estimated cost reduction and expected repayment of loans. In particular, the sales projections are estimated based on assumptions regarding the impact of COVID-19 as well as market growth potential and price trends in the industry where the Group operates. Therefore, such estimates involve a high level of uncertainties and judgment made by the Group.</p> <p>Based on the above, we identified as a key audit matter the reasonableness of the significant assumptions such as sales projections used in the business plans of certain large borrowers on which the Group intensively depends in determining their category of the borrowers and in estimating future cash flows among large borrowers to which the DCF method is applied in determining the allowance for loan losses.</p>	<p>Our audit procedures included the following, among others:</p> <ul style="list-style-type: none"> • We made inquiries and inspected related documents to test the design and operating effectiveness of controls over the Group's assessment of the reasonableness of the significant assumptions used in the borrowers' business plans based on the analysis of business plans and their progress. • To test the reasonableness of the significant assumptions used in the business plans of specific borrowers, we evaluated the sufficiency and reliability of information used by the Group and performed the following procedures using information from external and other sources: <ul style="list-style-type: none"> ➢ We evaluated the reasonableness of the sales projections used in the borrowers' business plans by comparing them with historical sales results, recent status of customer orders received including the impact of COVID-19 and the market environment. ➢ We evaluated the reasonableness of the estimated cost reduction used in the business plans in terms of whether they were consistent with the sales projections and whether targets and methods for cost reduction were clearly defined. ➢ We evaluated whether the expected repayment of loans used in the business plans was supported by reasonable estimates of the cash flows which were consistent with the sales projections and the estimated cost reduction. ➢ We evaluated the need to revise the business plans by comparing them with the historical results and testing the Group's causal factor analysis for borrowers showing high divergence.

Other Information

Management is responsible for the other information. The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in Integrated Report, but does not include the consolidated financial statements and our auditor's report thereon. Integrated Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partner do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

August 31, 2023

Consolidated Balance Sheet

The Shizuoka Financial Group, Inc. and Consolidated Subsidiaries March 31, 2023

	Millions of Yen	Thousands of U.S. Dollars (Note 2)
	2023	2023
Assets:		
Cash and due from banks (Notes 14 and 32)	¥ 1,747,165	\$ 13,083,460
Call loans and bills bought (Note 32)	200,866	1,504,167
Monetary claims bought	49,184	368,315
Trading assets (Notes 6 and 32)	10,895	81,586
Money held in trust (Note 7)	110,095	824,437
Securities (Notes 8, 14 and 32)	2,996,076	22,435,801
Loans and bills discounted (Notes 9, 14, 15 and 32)	10,037,128	75,161,960
Foreign exchanges (Note 10)	7,903	59,183
Lease receivables and investment assets (Note 30)	84,379	631,868
Other assets (Notes 11 and 14)	258,279	1,934,099
Tangible fixed assets (Note 12)	54,338	406,907
Intangible fixed assets (Note 12)	42,199	316,007
Asset for retirement benefits (Note 20)	13,844	103,674
Deferred tax assets (Note 29)	3,242	24,280
Customers' liabilities for acceptances and guarantees (Note 13)	91,672	686,478
Allowance for loan losses (Note 32)	(52,336)	(391,916)
Allowance for investment losses	(49)	(371)
Total Assets	¥15,654,886	\$117,229,943
Liabilities and Equity:		
Liabilities:		
Deposits (Notes 14, 16 and 32)	¥11,770,174	\$ 88,139,695
Call money and bills sold (Note 32)	172,557	1,292,177
Payables under repurchase agreements (Notes 14 and 32)	385,270	2,885,060
Payables under securities lending transactions (Note 32)	466,781	3,495,442
Trading liabilities (Note 6)	6,319	47,320
Borrowed money (Notes 14, 17 and 32)	1,325,573	9,926,418
Foreign exchanges (Note 10)	540	4,049
Bonds payable (Note 18)	44,932	336,474
Borrowed money from trust account	141	1,061
Other liabilities (Note 19)	157,526	1,179,618
Liability for retirement benefits (Note 20)	3,879	29,054
Provision for directors' retirement benefits	439	3,291
Provision for losses from reimbursement of inactive accounts	485	3,631
Provision for contingent losses	1,324	9,916
Provision for point program	288	2,161
Reserves under special laws	11	87
Deferred tax liabilities (Note 29)	78,860	590,539
Acceptances and guarantees (Note 13)	91,672	686,478
Total Liabilities	14,506,781	108,632,481
Equity: (Notes 21, 22, 23 and 37)		
Capital stock:		
authorized, 2,000,000 thousand shares;		
issued, 595,129 thousand shares	90,000	673,955
Capital surplus	55,462	415,324
Subscription rights to shares	272	2,043
Retained earnings	805,354	6,030,812
Treasury stock—at cost,		
35,390 thousand shares	(33,607)	(251,666)
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	230,622	1,726,992
Deferred gains or losses on hedges	227,948	1,706,971
Foreign currency translation adjustments	(1,387)	(10,392)
Foreign currency translation adjustments	3,242	24,284
Defined retirement benefit plans	818	6,130
Total	1,148,105	8,597,461
Noncontrolling interests	—	—
Total Equity	1,148,105	8,597,461
Total Liabilities and Equity	¥15,654,886	\$117,229,943

See notes to consolidated financial statements.

Consolidated Statement of Income

The Shizuoka Financial Group, Inc. and Consolidated Subsidiaries Year ended March 31, 2023

	Millions of Yen	Thousands of U.S. Dollars (Note 2)
	2023	2023
Income:		
Interest Income:		
Interest on loans and discounts	¥118,641	\$ 888,436
Interest and dividends on securities	33,592	251,551
Other interest income	6,374	47,735
Subtotal	158,608	1,187,723
Fees and Commissions	76,941	576,170
Trading Income	3,723	27,886
Other Operating Income (Note 24)	26,824	200,871
Other Income (Note 25)	21,474	160,807
Total Income	287,573	2,153,460
Expenses:		
Interest Expense:		
Interest on deposits	19,423	145,450
Interest on borrowings and rediscounts	4,511	33,784
Other interest expense	15,784	118,203
Subtotal	39,719	297,438
Fees and Commission Payments	39,596	296,511
Other Operating Expenses (Note 26)	26,616	199,315
General and Administrative Expenses (Note 27)	95,857	717,820
Other Expenses (Note 28)	12,461	93,318
Total expenses	214,252	1,604,404
Income before income taxes	73,320	549,055
Income Taxes: (Note 29)		
Current	20,060	150,219
Deferred	808	6,053
Total income taxes	20,868	156,273
Net Income	52,452	392,782
Net Income Attributable to Noncontrolling Interests	54	410
Net Income Attributable to Owners of the Parent	¥ 52,397	\$ 392,371
	Yen	U.S. Dollars (Note 2)
Per Share: (Note 37)		
Basic net income	¥92.92	\$0.69
Diluted net income	91.01	0.68
Cash dividends applicable to the year	30.00	0.22

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

The Shizuoka Financial Group, Inc. and Consolidated Subsidiaries Year ended March 31, 2023

	Millions of Yen	Thousands of U.S. Dollars (Note 2)
	2023	2023
Net Income	¥52,452	\$392,782
Other Comprehensive Income: (Note 34)		
Valuation difference on available-for-sale securities	34,530	258,576
Deferred losses on hedges	(1,612)	(12,077)
Foreign currency translation adjustments	(1,552)	(11,624)
Defined retirement benefit plans	(1,818)	(13,620)
Share of other comprehensive income in associates	236	1,768
Total other comprehensive income	29,782	223,021
Comprehensive Income	¥82,234	\$615,803
Total Comprehensive Income Attributable To:		
Owners of the parent	¥82,215	\$615,660
Noncontrolling interests	19	142

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

The Shizuoka Financial Group, Inc. and Consolidated Subsidiaries Year ended March 31, 2023

	Thousands	Millions of Yen												
		Accumulated Other Comprehensive Income												
	Number of Shares of Common Stock Outstanding	Capital Stock	Capital Surplus	Subscription Rights to Shares	Retained Earnings	Treasury Stock	Valuation Difference on Available -for-Sale Securities	Deferred Gains or Losses on Hedges	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity	
Balance at April 1, 2022	595,129	¥90,845	¥54,884	¥318	¥769,036	¥(29,030)	¥193,717	¥223	¥4,226	¥2,637	¥1,086,858	¥1,388	¥1,088,247	
Change during the period														
Purchase of shares of consolidated subsidiaries		-	(270)	-	-	-	-	-	-	-	(270)	-	(270)	
Cash dividends, ¥28.50 per share		-	-	-	(16,078)	-	-	-	-	-	(16,078)	-	(16,078)	
Net income attributable to owners of the parent		-	-	-	52,397	-	-	-	-	-	52,397	-	52,397	
Purchase of treasury stock (4,546 thousand shares)		-	-	-	-	(4,705)	-	-	-	-	(4,705)	-	(4,705)	
Disposal of treasury stock (137 thousand shares)		-	2	-	-	128	-	-	-	-	131	-	131	
Transfer from capital to capital surplus		(845)	845	-	-	-	-	-	-	-	-	-	-	
Net changes other than shareholders' equity		-	-	(45)	-	-	34,231	(1,611)	(963)	(1,818)	29,772	(1,388)	28,383	
Balance at March 31, 2023	595,129	¥90,000	¥55,462	¥272	¥805,354	¥(33,607)	¥227,948	¥(1,387)	¥3,242	¥818	¥1,148,105	-	¥1,148,105	

	Thousands of U.S. Dollars (Note 2)											
						Accumulated Other Comprehensive Income						
	Capital Stock	Capital Surplus	Subscription Rights to Shares	Retained Earnings	Treasury Stock	Valuation Difference on Available -for-Sale Securities	Deferred Gains or Losses on Hedges	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
Balance at April 1, 2022	\$680,288	\$410,993	\$2,382	\$5,758,846	\$(217,390)	\$1,450,629	\$1,674	\$31,648	\$19,751	\$8,138,823	\$10,401	\$8,149,224
Change during the period												
Purchase of shares of consolidated subsidiaries	-	(2,024)	-	-	-	-	-	-	-	(2,024)	-	(2,024)
Cash dividends, \$0.21 per share	-	-	-	(120,405)	-	-	-	-	-	(120,405)	-	(120,405)
Net income attributable to owners of the parent	-	-	-	392,371	-	-	-	-	-	392,371	-	392,371
Purchase of treasury stock	-	-	-	-	(35,237)	-	-	-	-	(35,237)	-	(35,237)
Disposal of treasury stock	-	22	-	-	961	-	-	-	-	983	-	983
Transfer from capital to capital surplus	(6,333)	6,333	-	-	-	-	-	-	-	-	-	-
Net changes other than shareholders' equity	-	-	(339)	-	-	256,341	(12,067)	(7,364)	(13,620)	222,949	(10,401)	212,548
Balance at March 31, 2023	\$673,955	\$415,324	\$2,043	\$6,030,812	\$(251,666)	\$1,706,971	\$(10,392)	\$24,284	\$6,130	\$8,597,461	-	\$8,597,461

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

The Shizuoka Financial Group, Inc. and Consolidated Subsidiaries Year ended March 31, 2023

	Millions of Yen	Thousands of U.S. Dollars (Note 2)
	2023	2023
I. Operating Activities:		
Income before income taxes	¥ 73,320	\$ 549,055
Adjustments for:		
Income taxes paid	(12,877)	(96,429)
Depreciation and amortization	17,965	134,532
Impairment losses	258	1,935
Equity in earnings of affiliated companies	(417)	(3,126)
Decrease in allowance for loan losses	(1,046)	(7,833)
Increase in allowance for investment losses	5	39
Decrease in asset for retirement benefits	464	3,479
Increase in liability for retirement benefits	111	833
Increase in provision for directors' retirement benefits	56	419
Decrease in provision for reimbursement of inactive accounts	(360)	(2,695)
Increase in provision for contingent losses	68	514
Decrease in provision for point program	(129)	(968)
Interest income	(158,608)	(1,187,723)
Interest expense	39,719	297,438
Gains on securities	(6,281)	(47,037)
Gains on money held in trust	(84)	(636)
Losses on sale of fixed assets	385	2,884
Net decrease in trading assets	3,861	28,917
Net increase in trading liabilities	2,989	22,387
Net increase in loans and bills discounted	(482,517)	(3,613,280)
Net increase in deposits	171,534	1,284,515
Net decrease in borrowed money	(44,972)	(336,769)
Net increase in due from banks (excluding deposits paid to Bank of Japan)	(40,649)	(304,395)
Net increase in call loans	(128,447)	(961,864)
Net increase in monetary claims bought	(10,832)	(81,119)
Net decrease in call money	(11,417)	(85,496)
Net increase in payables under repurchase agreements	61,471	460,319
Net increase in payables under securities lending transactions	387,775	2,903,818
Net decrease in foreign exchanges (assets)	3,444	25,794
Net decrease in foreign exchanges (liabilities)	(1,861)	(13,941)
Net increase in lease receivables and investment assets	(2,066)	(15,475)
Net increase in straight bonds-issuance and redemption	4,367	32,708
Net decrease in borrowed money from trust account	(56)	(422)
Interest and dividends received	156,157	1,169,365
Interest paid	(33,830)	(253,336)
Other-net	(59,991)	(449,241)
Total Adjustments	(145,811)	(1,091,892)
Net Cash Used in Operating Activities	(72,490)	(542,836)
II. Investing Activities:		
Purchases of securities	(2,571,773)	(19,258,452)
Proceeds from sales of securities	1,987,567	14,883,688
Proceeds from redemptions of securities	174,800	1,308,976
Increase in money held in trust	(5,295)	(39,654)
Purchases of tangible fixed assets	(4,661)	(34,910)
Purchases of intangible fixed assets	(8,104)	(60,688)
Proceeds from sales of tangible fixed assets	677	5,072
Net Cash Used in Investing Activities	(426,789)	(3,195,967)
III. Financing Activities:		
Dividends paid	(16,043)	(120,137)
Dividends paid to noncontrolling interests	(2)	(18)
Purchases of treasury stock	(4,705)	(35,237)
Proceeds from sales of treasury stock	86	644
Redemption of bonds with stock acquisition rights	(39,813)	(298,135)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(1,400)	(10,483)
Net Cash Used in Financing Activities	(61,878)	(463,368)
IV. Foreign Currency Translation Adjustments on Cash and Cash Equivalents	2	16
V. Net Decrease in Cash and Cash Equivalents	(561,155)	(4,202,155)
VI. Cash and Cash Equivalents, Beginning of Year	2,129,843	15,949,106
VII. Cash and Cash Equivalents, End of Year	¥1,568,687	\$11,746,950

See notes to consolidated financial statements.

Cash and due from banks in the consolidated balance sheet at March 31, 2023, are reconciled with cash and cash equivalents in the consolidated statement of cash flows as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Cash and due from banks	¥1,747,165	\$13,083,460
Due from banks other than the Bank of Japan	(178,477)	(1,336,510)
Cash and cash equivalents	¥1,568,687	\$11,746,950

Notes to Consolidated Financial Statements

The Shizuoka Financial Group, Inc. and Consolidated Subsidiaries Year ended March 31, 2023

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared from the accounts maintained by The Shizuoka Financial Group, Inc. (the "Company") and its subsidiaries (the "Group") in accordance with the provisions set forth in the Companies Act of Japan (the "Companies Act"), the Japanese Financial Instruments and Exchange Act, the Banking Act of Japan, and the Accounting Guideline for Banks in Japan stated by the Japanese Bankers' Association, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (IFRS).

Since the Company was established on October 3, 2022, no information is presented for the previous fiscal year.

The consolidated financial statements for the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023) were prepared by taking over the consolidated financial statements of The Shizuoka Bank, Ltd. (the "Bank"), which became a wholly owned subsidiary through a sole share transfer. Accordingly, the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023) includes the first half of the fiscal year of the Bank.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

2. JAPANESE YEN AND U.S. DOLLAR AMOUNTS

As permitted by the Japanese Financial Instruments and Exchange Act, Japanese yen amounts less than one million and U.S. dollars amounts less than one thousand have been omitted. As a result, the totals shown in the accompanying consolidated financial statements and the notes (both in yen and U.S. dollars) thereto do not necessarily agree with the sum of the individual account balances.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133.54 to \$1, the approximate rate of exchange at March 31, 2023. Such translation should not be construed as a representation that Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation:

The accompanying consolidated financial statements as of March 31, 2023, include the accounts of the Company, its 14 subsidiaries and three companies accounted for by the equity method.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

There are six companies that the Company has not made subsidiaries, although it owned a majority of the voting rights (business

execution rights) of those companies in its own account, and there are seven companies that the Company has not made associated companies, although it owned at least 20% and not more than 50% of the voting rights (business execution rights) of those companies in its own account. They are not treated as subsidiaries or associated companies because they are owned by consolidated subsidiaries engaged in the investment business as business transactions for the purpose of acquiring capital gains through investment development, etc., and not for the purpose of including them in the Group.

For investments in the remaining unconsolidated subsidiaries and associated companies, if the equity method of accounting had been applied, the effect on the accompanying consolidated financial statements would be immaterial.

The difference between the cost of an acquisition and the fair value of net assets of the acquired subsidiary at the date of acquisition is charged to income when incurred.

All significant intercompany accounts and transactions have been eliminated in consolidation. All material unrealized profits resulting from intercompany transactions are eliminated.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements:

The accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

Trading-purpose transactions:

"Transactions for trading purposes" (the purpose of seeking to capture gains arising from short-term fluctuations in interest rates, currency exchange rates or market prices of securities, and other market-related indices or from gaps among markets) are included in "Trading assets" and "Trading liabilities" on a trade-date basis.

Trading securities and monetary claims purchased for trading purposes recorded in these accounts are stated at market value, and trading-related financial derivatives are stated at the amounts that would be settled if they were terminated at the end of the fiscal year.

Profits and losses on transactions for trading purposes are shown as "Trading income (expense)" on a trade-date basis.

Securities:

Held-to-maturity debt securities, which are expected to be held-to-maturity with the positive intent and ability to hold to maturity, are stated at amortized cost computed using the straight-line method. Available-for-sale securities, which are not classified as either trading account securities or held-to-maturity debt securities, are stated at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Available-for-sale securities whose fair value cannot be reliably determined are stated at cost, determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Tangible fixed assets:

Tangible fixed assets are stated at cost, less accumulated depreciation. Depreciation of tangible fixed assets owned by the Company and domestic consolidated subsidiaries engaged in the banking business is computed mainly using the declining-balance method over the estimated useful lives, while the straight-line method is applied to structures acquired on or after April 1, 2016.

The range of useful lives is principally from three to 50 years for buildings and from two to 20 years for equipment.

Depreciation of tangible fixed assets owned by the other consolidated subsidiaries is computed mainly using the declining-balance method based on the criteria as stipulated in the Corporation Tax Act.

Lease assets under lease transactions, in which ownership of the lease property is not deemed to be transferred to the lessee, are depreciated by the straight-line method over the lease term.

The residual value is zero or the guaranteed value if specified in the lease contracts.

Impairment loss:

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Software:

Internal-use software development costs are amortized using the straight-line method over the useful life (five years) stipulated by the Group.

Allowance for loan losses:

The amount of the allowance for loan losses is determined based on management's judgment and assessment system. This system reflects the past experience of credit losses; possible future credit losses; business experience of credit losses; possible future credit losses; business and economic conditions; the character, quality, and performance of the portfolio; and other pertinent indicators.

The Group implemented a self-assessment system to monitor the quality of its assets. The quality of all loans is assessed by branches and the Credit Supervision Department, in accordance with a subsequent audit by the Credit Examination Department, in accordance with the Group's policy and rules for self-assessment of asset quality.

The Group has established a credit rating system under which its borrowers are classified into five categories. The credit rating system is used for self-assessment of asset quality. All borrowers are classified into five categories for self-assessment purposes - "normal," "caution," "possible bankruptcy," "virtual bankruptcy," and "legal bankruptcy."

Legal bankruptcy:

Borrowers who are legally or formally bankrupt, such as bankruptcy or special liquidation.

Virtual bankruptcy:

Borrowers virtually in the same situation as legal bankruptcy.

Possible bankruptcy:

Borrowers who are not currently bankrupt, but are likely to fall into bankruptcy in the future.

Caution:

Borrowers who have problems with lending conditions or reimburse performance, have slow growth or unstable business conditions.

Management required:

Borrowers in "caution" whose loans require management (being with restricted loans and loans overdue for more than three months).

Normal:

Borrowers who are recognized as having good business conditions and no particular financial problems.

- (a) For loans to borrowers classified as legal bankruptcy or virtual bankruptcy, the Group fully provides the net amount of loans and estimated collectible amounts by collateral or guarantees. Regarding loans to borrowers classified as possible bankruptcy, a specific reserve is provided to the necessary extent for the net amount of loans and estimated collectible amounts by collateral or guarantees.

(b) For the borrower with certain loan amounts classified as possible bankruptcy or being with restructured loans, if cash flows from collection of principals and interests can be reasonably estimated, the Group provides the difference between the present value of these cash flows discounted at the initial contractual rates and the book values of loans (the "DCF" method). For other loans, a general allowance is provided based on anticipation of the expected loss for the average remaining life of loans, etc. The expected loss amount is calculated by adjusting the loss ratio considering future projections.

(c) For the borrower with certain loan amounts classified as caution or management required, the Group provides the difference between the present value of these cash flows discounted at the initial contractual rates and the book values of loans (the "DCF" method) if cash flows from collection of principals and interests can be reasonably estimated.

(d) For loans to borrowers classified as normal, caution and management required, a general allowance is provided based on anticipation of the expected loss for the average remaining life of loans, etc. The loss ratio is calculated based on the average value of the actual loan loss ratio over a certain period in the past, and the expected loss amount is calculated by adjusting the loss ratio considering future projections.

Grouping in calculating loss ratio

In calculating loss ratio, borrowers are divided into consumer loan borrowers and business-lending borrowers. Business-lending borrowers are classified into two categories of normal (upper normal and lower normal), three categories of caution (upper caution, lower caution, and management required), and one category of legal bankruptcy, for a total of seven categories.

A certain period of time in which the expected loss amount is expected in the future

Allowance for loan losses is recorded based on anticipation of the expected loss ratio for the period corresponding to the average remaining period of receivables (the average remaining period is seven years for consumer loan borrowers, among business loan borrowers of (d) above, about three to four years for "normal," about three years for "caution," and about four years for "management required" and "possible bankruptcy" of (b) above).

Revision of expected loss ratio due to future prospects, etc.

In the current fiscal year, the expected loss ratio has been revised for "management required," but the impact on allowance for loan losses is minor.

The consolidated subsidiaries provide based on anticipation of the expected loss for loan losses at the amount deemed necessary to cover such losses, principally based on past experience.

Allowance for investment losses:

The allowance for investment losses is provided at a necessary amount based on the estimated possible losses on investments.

Retirement and pension plans:

Certain consolidated subsidiaries have lump-sum retirement benefit plans, a contributory funded defined benefit pension plan, and a noncontributory funded pension plan.

The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period. Past service costs are recognized in the applicable year.

Provision for losses from reimbursement of inactive accounts:

The provision for losses from reimbursement of inactive accounts, which are derecognized as liabilities under certain conditions, is provided for possible losses on future claims of withdrawal based on historical reimbursement experience.

Provision for retirement benefits to directors:

The provision for retirement benefits to directors is provided for the payments that have occurred up to the end of the fiscal year to pay for retirement benefits to directors.

Provision for contingent losses:

The provision for contingent losses is provided for the estimated future payments to credit guarantee corporations due to the implementation of a loss-sharing system.

Provision for point program:

The provision for point program is provided for the reasonably estimated future usage of points given to credit card customers.

Reserves under special laws:

Reserves under special laws are reserves for financial product transaction liabilities in accordance with Section 1, Article 46-5 of the Japanese Financial Instruments and Exchange Act.

Asset retirement obligations:

An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made.

Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

Leases:**Lessor**

For financing leases in which the Group is a lessor, sales and cost of sales are accounted for when lease payments are paid.

Stock options:

The accounting standard for stock options requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to nonemployees based on the fair value of either the stock options or the goods or services received. In the balance sheet, the stock options are presented as stock acquisition rights as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

Translation of foreign currencies:

Assets and liabilities, which are payable or receivable in foreign currencies, are converted into Japanese yen at the rates prevailing at each balance sheet date.

The financial statements of the consolidated subsidiaries outside Japan are translated into Japanese yen at the current exchange rate at each balance sheet date, except for equity, which is translated at the historical exchange rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity.

Income taxes:

The Company and its consolidated subsidiaries in Japan allocate income taxes based on the asset and liability method.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

Derivatives and hedging activities:

All derivative transactions, except those entered into for hedging purposes, are recognized as either assets or liabilities and measured at fair value, with gains or losses on derivative transactions recognized in the consolidated statement of income.

For derivative transactions used for hedging purposes, the methods of hedge accounting are as follows:

(a) Transactions to hedge against interest rate risk

Transactions to hedge against interest rate risk affecting the financial assets and liabilities of the Group are accounted for using deferral hedge accounting as stipulated in the Japanese Institute of Certified Public Accountants (JICPA) Industry Committee Practical Guideline No. 24, March 17, 2022, "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry." Regarding the effectiveness of a hedging relationship under fair value hedging, a portfolio of hedged items, such as deposits or loans with common maturities, is matched with a group of

hedging instruments, such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities, and are designated as a hedge of the portfolio. The effectiveness of the fair value hedge is assessed by each group. Also, the effectiveness of a cash flow hedge is assessed on the basis of the correlation between the base interest rate index of the hedged cash flow and that of the hedging instrument.

(b) Special hedging treatment is applied for interest rate swaps Transactions to hedge against foreign exchange fluctuation risk Deferral hedge accounting is applied to hedges against foreign exchange fluctuation risks associated with foreign currency-denominated monetary assets and liabilities, stipulated in the JICPA Industry Committee Practical Guideline No. 25, October 8, 2020, "Accounting and Auditing Treatments of Accounting Treatments on Foreign Currency Transactions in the Banking Industry."

The effectiveness of currency swap transactions, exchange swap transactions, and similar transactions hedging foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed by comparison of the foreign currency position of the hedged monetary assets and liabilities and the hedging instruments.

In order to hedge the foreign exchange risk of foreign currency-denominated available-for-sale securities (except bonds), the Group applies the "general method," using market value hedges in accordance with certain conditions, namely the stipulation in advance of which foreign currency-denominated securities are to be hedged, and the existence in foreign currency of a spot-forward liability in excess of the acquisition cost of the relevant foreign currency-denominated securities.

Consolidated statement of cash flows:

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash and due from the Bank of Japan.

Per share information:

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period. The average number of common shares used in the computation was 563,848 thousand shares for 2023.

Diluted net income per share reflects the potential dilution that could occur if the outstanding stock options were exercised. Diluted net income per share assumes full exercise of the outstanding stock options at the beginning of the year (or at the time of grant).

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the year, including dividends to be paid after the end of the year.

4. SIGNIFICANT ACCOUNTING ESTIMATE

(Recording of allowance for loan losses)

(1) Carrying amounts

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Allowance for loan losses	¥52,336	\$391,916

(2) Information on the significant accounting estimate

(a) Calculation method

The calculation method of allowance for loan losses is listed in "Allowance for loan losses" of "3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

(b) Main assumptions

Although the impact of the COVID-19 infection is weakening, there continues to be concern about the impact on the repayment ability of borrowers. However, an allowance for loan losses is calculated based on the assumption that there will be no significant impact on borrower's category of the Group. Regarding the assumptions about the effects of COVID-19, there are no changes compared to the description on previous fiscal year's Integrated Report of the Bank.

Assumptions are made in determining the impact on borrower's category, future forecasts, such as sales forecasts, cost reduction, and borrower's repayment schedules on business plan used for the classification of borrower's category and the estimate of future cash flow based on cash flow estimate method.

Future forecasts, such as sales forecasts, cost reduction, and borrower's repayment schedules on business plan, are determined based on the impact of COVID-19 and market growth potential and price trends in the industry to which the borrower belongs.

(c) The impact on the consolidated financial statements for the next fiscal year

If the original assumption for estimates changes because of the change in management environment for borrowers, the balance of allowance for loan losses may fluctuate due to the change in borrower's category, cash flow estimates, and expected loss ratio, and it may affect the consolidated financial statements for the next fiscal year.

5. CHANGES IN ACCOUNTING POLICIES

(Application of the implementation guidance on accounting standards for fair value measurement)

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; the "IGASFVM") has been applied since the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the IGASFVM in accordance with the transitional treatment provided in Paragraph 27-2 of the IGASFVM. This does not affect the consolidated financial statements for the current fiscal year.

In the "2. Fair values of financial instruments and a breakdown by level of the fair values of financial instruments, 32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES," investment trusts for the previous fiscal year are not stated in accordance with Paragraph 27-3 of the IGASFVM.

6. TRADING ASSETS AND LIABILITIES

Trading assets and liabilities at March 31, 2023, consisted of the following:

(a) Trading assets

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Trading securities:		
Japanese government bonds	¥ 45	\$ 342
Local government bonds	481	3,604
Industrial bonds	353	2,648
Subtotal	880	6,595
Financial derivatives:		
Other (Note)	7,014	52,528
Subtotal	7,014	52,528
Other trading assets:		
Commercial paper	2,999	22,462
Subtotal	2,999	22,462
Total	¥10,895	\$81,586

(b) Trading liabilities

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Financial derivatives:		
Other (Note)	¥6,319	\$47,320
Subtotal	6,319	47,320
Total	¥6,319	\$47,320

Note: Other in assets and liabilities represents unrealized gains and losses, respectively.

7. MONEY HELD IN TRUST

Money held in trust at March 31, 2023, consisted of the following:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Held-to-maturity	¥4,800	¥2		¥4,802
Money held in trust classified as:				
Available-for-sale	100,000			100,000

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Held-to-maturity	\$35,944	\$21		\$35,965
Money held in trust classified as:				
Available-for-sale	748,839			748,839

8. SECURITIES

Securities at March 31, 2023, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Japanese government bonds	¥ 854,509	\$ 6,398,906
Local government bonds	244,658	1,832,098
Corporate bonds	498,153	3,730,368
Corporate stocks	479,042	3,587,255
Other securities	919,713	6,887,172
Total	¥2,996,076	\$22,435,801

As of March 31, 2023, securities included equity investments in unconsolidated subsidiaries and affiliated companies that amounted to ¥24,196 million (\$181,192 thousand).

In addition to securities, the following table presents details of trading securities and commercial paper classified as trading assets and negotiable certificates of deposit classified as cash and due from banks.

Information regarding each category of the securities classified as trading, available-for-sale, and held-to-maturity at March 31, 2023, was as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 3,880
Available-for-sale:				
Equity securities	¥ 93,958	¥356,938	¥ 345	450,552
Debt securities	1,538,677	6,343	16,284	1,528,736
Others	917,029	18,954	41,531	894,452
Held-to-maturity	72,903	22	460	72,465

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				\$ 29,058
Available-for-sale:				
Equity securities	\$ 703,596	\$2,672,899	\$ 2,584	3,373,910
Debt securities	11,522,219	47,505	121,946	11,447,778
Others	6,867,080	141,935	311,007	6,698,008
Held-to-maturity	545,931	168	3,449	542,650

Available-for-sale securities sold during the year ended March 31, 2023 were as follows:

	Millions of Yen		
	Proceeds from Sales	Total Amount of Gains on Sales	Total Amount of Losses on Sales
Equity securities	¥ 17,093	¥12,889	¥ 16
Debt securities:	1,477,432	3,187	9,728
Others	333,848	6,145	18,836
Total	¥1,828,374	¥22,221	¥28,582

	Thousands of U.S. Dollars		
	Proceeds from Sales	Total Amount of Gains on Sales	Total Amount of Losses on Sales
Equity securities	\$ 128,006	\$ 96,523	\$ 122
Debt securities:	11,063,591	23,867	72,854
Others	2,499,985	46,016	141,058
Total	\$13,691,583	\$166,406	\$214,035

Marketable available-for-sale securities whose fair value significantly declines in comparison with their acquisition cost and whose fair value of the securities will not recover to their acquisition cost are written down and accounted for as impairment losses.

The Group recognizes securities as having significantly declined when their fair value is more than 30% below their acquisition cost.

Impairment losses on marketable available-for-sale equity securities for the year ended March 31, 2023, were ¥70 million (\$530 thousand).

9. LOANS AND BILLS DISCOUNTED

Loans and bills discounted at March 31, 2023, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Bills discounted	¥ 18,418	\$ 137,926
Loans on bills	129,373	968,800
Loans on deeds	8,802,001	65,912,845
Overdrafts	1,087,334	8,142,387
Total	¥10,037,128	\$75,161,960

Loans under bankruptcy proceedings, past-due loans on which interest payments are waived from borrowers who are financially assisted by the Bank, loans past due for three months or more (except for loans under bankruptcy proceedings and past-due loans), and restructured loans at March 31, 2023, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Claims provable in rehabilitation from bankruptcy and equivalents	¥ 16,515	\$123,677
Doubtful claims	76,904	575,893
Loans past due for three months or more	191	1,437
Restructured loans	13,110	98,178
Total	¥106,723	\$799,185

Notes: 1. Loans past due for three months or more include loans for which payments of principal or interest are delinquent by three months or more as calculated from the day following the contracted payment date, but do not include loans under bankruptcy proceedings or past-due loans.
2. Restructured loans include loans for which certain conditions have been relaxed for the benefit of the borrower (through means, such as the reduction or elimination of interest payments, the deferral of principal repayments, or the relinquishment of claims) with the goal of supporting the recovery of borrowers that have fallen into financial difficulty, and thereby promoting the recovery of the loan.

Bills discounted are accounted for as financial transactions in accordance with the JICPA Industry Audit Committee Report No. 24. As of March 31, 2023, the Group had the right by contract or custom to sell or repledge bills discounted and foreign exchange bills bought and their total face values were ¥18,739 million (\$140,327 thousand).

10. FOREIGN EXCHANGES

Foreign exchange assets and liabilities at March 31, 2023, consisted of the following:

(a) Assets

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Due from foreign banks	¥6,391	\$47,859
Foreign exchange bills bought	320	2,400
Foreign exchange bills receivable	1,191	8,923
Total	¥7,903	\$59,183

(b) Liabilities

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Foreign exchange bills sold	¥ 34	\$ 256
Foreign exchange bills payable	506	3,792
Total	¥540	\$4,049

11. OTHER ASSETS

Other assets at March 31, 2023, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Accrued income	¥ 16,384	\$ 122,690
Derivative products	34,316	256,972
Guarantee deposits	1,863	13,955
Others	205,715	1,540,481
Total	¥258,279	\$1,934,099

12. TANGIBLE FIXED ASSETS AND INTANGIBLE FIXED ASSETS

Tangible fixed assets and intangible fixed assets at March 31, 2023, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Tangible fixed assets:		
Buildings	¥22,790	\$170,661
Land	18,910	141,610
Lease assets	20	155
Construction in progress	2,434	18,230
Other tangible fixed assets	10,182	76,248
Subtotal	54,338	406,907
Intangible fixed assets:		
Software	41,819	313,158
Other intangible fixed assets	380	2,849
Subtotal	42,199	316,007
Total	¥96,538	\$722,915

Tangible fixed assets are stated at cost, less accumulated depreciation of ¥118,854 million (\$890,030 thousand) in 2023.

As of March 31, 2023, deferred gains for tax purposes of ¥9,033 million (\$67,646 thousand) on tangible fixed assets sold and replaced with similar assets have been deducted from the cost of newly acquired tangible fixed assets.

13. CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities for acceptances and guarantees are recorded and reflected in acceptances and guarantees. Customers' liabilities for acceptances and guarantees have been recorded and reflected as assets in the consolidated balance sheet, representing the Group's right of indemnity from the applicant.

The respective amounts of "Acceptances and Guarantees" and "Customers' Liabilities for Acceptances and Guarantees" are netted in accordance with the appendix forms of "Banking Act Enforcement Regulations" (Ministry of Finance Ordinance No. 10, 1982).

Liabilities for guarantees on corporate bonds included in securities, which were issued by private placement (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act) as of March 31, 2023, amounted to ¥27,566 million (\$206,429 thousand).

14. ASSETS PLEDGED

Assets pledged as collateral and their relevant liabilities at March 31, 2023, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Assets pledged as collateral:		
Trading assets	¥ 2,999	\$ 22,462
Securities	1,712,628	12,824,836
Loans and bills discounted	785,785	5,884,274
Relevant liabilities to above assets:		
Deposits	¥ 27,518	\$ 206,070
Payables under repurchase agreements	385,270	2,885,060
Payables under securities lending transactions	466,781	3,495,442
Borrowed money	1,290,365	9,662,765

In addition to the above, the Bank has provided ¥24,130 million (\$180,699 thousand) in securities as collateral for foreign exchange settlements and certain other transactions and as security for future transactions at March 31, 2023.

Guarantee deposits on office space of ¥1,863 million (\$13,955 thousand), cash collateral paid for financial instruments of ¥30,369 million (\$227,416 thousand) and cash collateral paid to central counterparty of ¥60,800 million (\$455,294 thousand) are included in other assets at March 31, 2023.

15. LOAN COMMITMENTS

Overdraft agreements and agreements for loan commitments are agreements under which the Bank pledges to lend funds up to a certain limit when applications for advances of loans are received from customers, provided there are no violations of the terms written in the agreements.

The balances of loans undisbursed under these agreements at March 31, 2023, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Undisbursed loan commitments outstanding:		
Loans due within one year	¥1,603,006	\$12,003,940
Loans due over one year	106,463	797,243
Total	¥1,709,470	\$12,801,184

Many of these agreements terminate without loans being disbursed, and thus, the balance of loans as yet undisbursed will not necessarily affect the future cash flow of the Company or its consolidated subsidiaries. The Company or its consolidated subsidiaries can refuse to advance loans and reject applications that have been received or can reduce the maximum amounts under the agreements for reasonable reasons, such as changes in the financial situation and preservation of credit. In addition, at the time the agreements are entered into, borrowers may, when necessary, be required to provide collateral, such as real estate or securities, and after the agreements have been signed, the state of the borrower's business and other factors may be assessed regularly in accordance with in-house procedures. Moreover, agreements can be revised, if necessary, and steps, such as the formulation of measures to preserve credit, may be taken.

16. DEPOSITS

Deposits at March 31, 2023, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Current deposits	¥ 615,249	\$ 4,607,229
Savings deposits	7,208,156	53,977,512
Deposits at notice	10,791	80,808
Time deposits	3,045,633	22,806,898
Negotiable certificates of deposit	65,104	487,526
Other	825,239	6,179,721
Total	¥11,770,174	\$88,139,695

17. BORROWED MONEY

At March 31, 2023, the weighted-average annual interest rate applicable to borrowed money was 0.28%.

Borrowed money consists of borrowings from financial institutions. Annual maturities of borrowed money as of March 31, 2023, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
2024	¥ 373,279	\$2,795,260
2025	16,234	121,571
2026	192,781	1,443,625
2027	740,930	5,548,381
2028 and thereafter	2,347	17,580
Total	¥1,325,573	\$9,926,418

18. BONDS PAYABLE

Bonds at March 31, 2023, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
The Bank's first bonds payable in U.S. dollars (only for qualified institutional investors)	¥ 2,214	\$ 16,585
The Bank's bonds payable in U.S. dollars due December 2023	37,718	282,448
Shizugin Lease Co., Ltd.'s first private placement bonds payable only for qualified institutional investors	5,000	37,441
Total	¥44,932	\$336,474

The coupon amount of The Shizuoka Bank, Ltd.'s first U.S. dollar-denominated bonds (only for qualified institutional investors), which are discounted bonds, is ¥2,214 million (\$16,585 thousand).

Annual maturities of bonds as of March 31, 2023, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
2024	¥39,932	\$299,033
2025		
2026		
2027		
2028	5,000	37,441
Total	¥44,932	\$336,474

19. OTHER LIABILITIES

Other liabilities at March 31, 2023, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Income taxes payable	¥ 11,380	\$ 85,218
Accrued expenses	14,278	106,925
Unearned income	17,164	128,534
Derivative products	45,499	340,717
Cash collateral received for financial products	14,766	110,573
Other	54,437	407,648
Total	¥157,526	\$1,179,618

20. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries in Japan and annuity payments from a trustee.

1. The changes in defined benefit obligation for the year ended March 31, 2023 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Balance at beginning of year	¥61,155	\$457,958
Current service cost	1,671	12,520
Interest cost	596	4,466
Actuarial losses	278	2,088
Benefits paid	(4,137)	(30,984)
Others	141	1,062
Balance at end of year	¥59,707	\$447,111

2. The changes in plan assets for the year ended March 31, 2023, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Balance at beginning of year	¥71,696	\$536,890
Expected return on plan assets	1,242	9,306
Actuarial losses	(1,390)	(10,410)
Contributions from the employer	727	5,445
Benefits paid	(2,727)	(20,422)
Others	123	921
Balance at end of year	¥69,672	\$521,731

3. Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Funded defined benefit obligation	¥ 57,982	\$ 434,192
Plan assets	(69,672)	(521,731)
Total	(11,689)	(87,538)
Unfunded defined benefit obligation	1,725	12,919
Net asset arising from defined benefit obligation	¥ (9,964)	\$ (74,619)

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Liability for retirement benefits	¥ 3,879	\$ 29,054
Asset for retirement benefits	(13,844)	(103,674)
Net asset arising from defined benefit obligation	¥ (9,964)	\$ (74,619)

4. The components of net periodic retirement benefit costs for the year ended March 31, 2023, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Service cost	¥ 1,671	\$ 12,520
Interest cost	596	4,466
Expected return on plan assets	(1,242)	(9,306)
Amortization of actuarial gains and losses	(925)	(6,929)
Others	19	144
Net periodic retirement benefit costs	¥ 119	\$ 895

5. Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the year ended March 31, 2023, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Actuarial losses	¥(2,594)	\$ (19,427)
Total	¥(2,594)	\$ (19,427)

6. Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Unrecognized actuarial losses	¥(1,172)	\$ (8,782)
Total	¥(1,172)	\$ (8,782)

7. Plan assets

(1) Components of plan assets

Plan assets consisted of the following:

	2023
Debt investments	51%
Equity investments	14%
Cash and cash equivalents	1%
General account of life insurance companies	26%
Others	8%
Total	100%

(2) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return that are expected currently and in the future from the various components of the plan assets.

8. Assumptions used for the year ended March 31, 2023, were set forth as follows:

	2023
Discount rate	Mainly 1.0%
Expected rate of return on plan assets	0.8%-2.0%
Expected rate of salary increase	8.4%

9. Defined contribution

The amounts to be contributed by the Company and the consolidated subsidiaries for the year ended March 31, 2023, were ¥456 million (\$3,421 thousand).

21. EQUITY

Japanese companies are subject to the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria, such as (1) having a board of directors, (2) having independent auditors, (3) having an audit and supervisory board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Bank cannot do so because it does not meet all the above criteria. The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act and the Banking Act provide certain limitations on the amounts available for dividends or the purchase of treasury stock.

(b) Increases/decreases and transfer of capital stock, reserve, and surplus

The Banking Act requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends, until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 100% of capital stock.

The Companies Act also provides that capital stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined using a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

22. STOCK OPTIONS

At the annual general meeting of shareholders of the Bank held on June 17, 2022, Proposal No. 4, "Incorporation of Wholly Owning Parent Company Through Share Transfer," was approved. As a result of the share transfer under the proposal, the Company issued stock acquisition rights in place of the stock acquisition rights issued by the Bank before the establishment of the Company.

The Company's stock option plans grant options to the Bank's directors to purchase certain shares of the Company's common stock in the respective exercise periods.

The stock options outstanding as of March 31, 2023, were as follows:

Stock Options	Persons Granted	Number of Options Granted	Date of Grant (*)	Exercise Price	Exercise Period
The Company's 1st stock acquisition rights	1 director (the Bank)	13,000 shares	2007. 7.27	¥1 (\$0.01)	From October 3, 2022 to July 27, 2032
The Company's 2nd stock acquisition rights	1 director (the Bank)	13,000 shares	2008. 7.18	¥1 (\$0.01)	From October 3, 2022 to July 18, 2033
The Company's 3rd stock acquisition rights	1 director (the Bank)	20,000 shares	2009. 7.23	¥1 (\$0.01)	From October 3, 2022 to July 23, 2034
The Company's 4th stock acquisition rights	1 director (the Bank)	27,000 shares	2010. 7.23	¥1 (\$0.01)	From October 3, 2022 to July 23, 2035
The Company's 5th stock acquisition rights	1 director (the Bank)	27,000 shares	2011. 7.22	¥1 (\$0.01)	From October 3, 2022 to July 22, 2036
The Company's 6th stock acquisition rights	1 director (the Bank)	30,000 shares	2012. 7.24	¥1 (\$0.01)	From October 3, 2022 to July 24, 2037
The Company's 7th stock acquisition rights	1 director (the Bank)	13,000 shares	2013. 7.23	¥1 (\$0.01)	From October 3, 2022 to July 23, 2038
The Company's 8th stock acquisition rights	3 directors (the Bank)	38,000 shares	2014. 7.22	¥1 (\$0.01)	From October 3, 2022 to July 22, 2039
The Company's 9th stock acquisition rights	3 directors (the Bank)	17,000 shares	2015. 7.21	¥1 (\$0.01)	From October 3, 2022 to July 21, 2040
The Company's 10th stock acquisition rights	3 directors (the Bank)	24,000 shares	2016. 7.19	¥1 (\$0.01)	From October 3, 2022 to July 19, 2041
The Company's 11th stock acquisition rights	3 directors (the Bank)	28,000 shares	2017. 7.18	¥1 (\$0.01)	From October 3, 2022 to July 18, 2042
The Company's 12th stock acquisition rights	3 directors (the Bank)	26,500 shares	2018. 7.17	¥1 (\$0.01)	From October 3, 2022 to July 17, 2043
The Company's 13th stock acquisition rights	3 directors (the Bank)	29,000 shares	2019. 7.16	¥1 (\$0.01)	From October 3, 2022 to July 16, 2044

(*) The date of grant is the original grant date at the Bank.

The stock option activity is as follows:

	The Company's 1st stock acquisition rights	The Company's 2nd stock acquisition rights	The Company's 3rd stock acquisition rights	The Company's 4th stock acquisition rights	The Company's 5th stock acquisition rights	The Company's 6th stock acquisition rights	The Company's 7th stock acquisition rights	The Company's 8th stock acquisition rights	The Company's 9th stock acquisition rights	The Company's 10th stock acquisition rights	The Company's 11th stock acquisition rights	The Company's 12th stock acquisition rights	The Company's 13th stock acquisition rights
Year Ended March 31, 2023													
Non-vested													
March 31, 2022—Outstanding													
Granted													
Vested													
March 31, 2023—Outstanding													
Vested													
March 31, 2022—Outstanding	13,000	13,000	20,000	27,000	27,000	30,000	22,000	48,000	22,000	30,000	33,000	32,100	34,000
Vested													
Exercised							9,000	10,000	5,000	6,000	5,000	5,600	5,000
March 31, 2023—Outstanding	13,000	13,000	20,000	27,000	27,000	30,000	13,000	38,000	17,000	24,000	28,000	26,500	29,000
Exercise price	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)
Average stock price at exercise	—	—	—	—	—	—	¥ 801 (\$ 5.99)	¥ 801 (\$ 5.99)	¥ 801 (\$ 5.99)	¥ 801 (\$ 5.99)	¥ 801 (\$ 5.99)	¥ 801 (\$ 5.99)	¥ 801 (\$ 5.99)
Fair value price at grant date	¥1,153 (\$ 8.63)	¥1,057 (\$ 7.91)	¥ 875 (\$ 6.55)	¥ 704 (\$ 5.27)	¥ 709 (\$ 5.30)	¥ 743 (\$ 5.56)	¥1,135 (\$ 8.49)	¥1,079 (\$ 8.07)	¥1,351 (\$10.11)	¥ 730 (\$ 5.46)	¥ 899 (\$ 6.73)	¥ 888 (\$ 6.64)	¥ 733 (\$ 5.48)

23. VALUATION DIFFERENCE ON AVAILABLE-FOR-SALE SECURITIES

The breakdown of "Valuation difference on available-for-sale securities" posted in the consolidated balance sheet is as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Valuation difference	¥324,075	\$2,426,801
Deferred tax liabilities	(95,645)	(716,227)
Amounts equivalent to difference on available-for-sale securities	¥228,430	\$1,710,574
Noncontrolling interest adjustment	—	—
Share of valuation difference on available- for-sale securities in affiliated companies	(481)	(3,603)
Valuation difference on available-for-sale securities	¥227,948	\$1,706,971

24. OTHER OPERATING INCOME

Other operating income for the year ended March 31, 2023, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Gains on foreign exchange transactions	¥ 7,106	\$ 53,216
Gains on sales of bonds	19,093	142,980
Gains on financial derivatives	624	4,673
Total	¥26,824	\$200,871

25. OTHER INCOME

Other income for the year ended March 31, 2023, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Gains on sales of stock and other securities	¥13,911	\$104,175
Equity in earnings of affiliated companies	417	3,126
Gains on disposal of fixed assets	186	1,395
Other	6,958	52,109
Total	¥21,474	\$160,807

26. OTHER OPERATING EXPENSES

Other operating expenses for the year ended March 31, 2023, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Losses on sales of bonds	¥25,706	\$192,502
Losses on redemption of bonds	909	6,813
Total	¥26,616	\$199,315

27. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended March 31, 2023, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Salary	¥33,959	\$254,299
Depreciation expenses	16,962	127,025
Other	44,935	336,495
Total	¥95,857	\$717,820

28. OTHER EXPENSES

Other expenses for the year ended March 31, 2023, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Provision of allowance for loan losses	¥ 4,543	\$34,021
Losses on written-off claims	402	3,012
Losses on sales of stocks and other securities	16	122
Losses on devaluation of stocks and other securities	90	679
Losses on disposal of fixed assets	571	4,280
Impairment losses	258	1,935
Other	6,579	49,266
Total	¥12,461	\$93,318

29. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 29.9% for the year ended March 31, 2023.

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Deferred tax assets:		
Allowance for loan losses	¥ 14,765	\$ 110,572
Liability for retirement benefits	5,730	42,910
Valuation loss on securities	3,197	23,942
Other	11,526	86,311
Less: valuation allowance	(4,203)	(31,477)
Deferred tax assets	31,015	232,259
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(95,622)	(716,056)
Gain on establishment of employee retirement benefit trust	(5,079)	(38,035)
Securities returned from employee retirement benefit trust	(2,724)	(20,404)
Other	(3,207)	(24,021)
Deferred tax liabilities	(106,634)	(798,518)
Net deferred tax assets (liabilities)	¥ (75,618)	\$(566,258)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2023, is omitted because the difference between the normal effective statutory tax rates and the actual effective tax rates is not more than 5/100 of the normal effective statutory tax rates for the current fiscal year.

30. LEASES

(1) Financial Lease

(a) Lessor

The net lease investment assets are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Gross lease receivables	¥81,475	\$610,118
Estimated residual values	3,046	22,815
Unearned interest income	(6,625)	(49,613)
Lease investment assets	¥77,896	\$583,319

Maturities of lease receivables are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
2024	¥1,503	\$11,255
2025	1,213	9,088
2026	912	6,836
2027	728	5,457
2028	635	4,761
2029 and thereafter	2,107	15,782
Total	¥7,102	\$53,183

Maturities of lease payment receivables of lease investment assets are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
2024	¥22,765	\$170,478
2025	18,241	136,600
2026	14,004	104,871
2027	11,809	88,431
2028	6,215	46,542
2029 and thereafter	8,438	63,193
Total	¥81,475	\$610,118

(2) Operating Lease

(a) Lessee

The minimum rental commitments under noncancelable operating leases at March 31, 2023, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Due within one year	¥ 428	\$3,208
Due after one year	578	4,334
Total	¥1,007	\$7,542

(b) Lessor

The future lease payment receivables under noncancelable operating leases at March 31, 2023, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Due within one year	¥ 479	\$3,590
Due after one year	665	4,982
Total	¥1,144	\$8,573

31. SEGMENT INFORMATION

An entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Committee for Integrated Risk and Budget Management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of the banking operations and leasing operations. Banking operations consist of the banking business centered on deposits, loans, investment securities, and exchange transactions. Leasing operations consist of lease transactions centered on finance leases.

2. Changes in Reportable Segments

The Company reviewed the classification of its business segments as the Company was established, and the Group was reorganized on October 3, 2022. The business segment of subsidiaries of the Bank, including Shizugin IT Solution Co., Ltd., which had been included in "Other," was changed to "Banking Operation."

3. Methods of Measurement of Ordinary Income, Profit (Loss), Assets, Liabilities, and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 3, "Summary of Significant Accounting Policies."

4. Information about Ordinary Income, Profit (Loss), Assets, Liabilities and Other Items

	Millions of Yen						
	Reportable Segment						
	Banking Operations	Leasing Operations	Total	Other	Total	Reconciliations	Consolidated
Year ended March 31, 2023							
Ordinary income:							
Ordinary income from external customers	¥ 242,547	¥ 35,069	¥ 277,617	¥ 9,769	¥ 287,386		¥ 287,386
Ordinary income from intersegment transactions	2,045	1,137	3,182	531	3,713	¥ (3,713)	
Total	¥ 244,592	¥ 36,206	¥ 280,799	¥ 10,300	¥ 291,100	¥ (3,713)	¥ 287,386
Segment profit	¥ 70,506	¥ 1,566	¥ 72,073	¥ 2,108	¥ 74,182	¥ (217)	¥ 73,964
Segment assets	15,546,547	120,659	15,667,207	851,157	16,518,364	(863,478)	15,654,886
Segment liabilities	14,485,918	97,506	14,583,424	18,665	14,602,089	(95,308)	14,506,781
Other:							
Depreciation	16,812	1,022	17,834	137	17,972	(6)	17,965
Interest income	159,603	9	159,613	62	159,675	(1,067)	158,608
Interest expense	39,253	259	39,512	448	39,960	(240)	39,719
Equity in earnings of affiliated companies	51		51	366	417		417
Extraordinary income	459		459	2,265	2,724	(2,538)	186
Gain on disposal of non-current assets	186		186		186		186
Reversal of stock acquisition rights	272		272		272	(272)	
Gains on dividend in kind				2,265	2,265	(2,265)	
Extraordinary losses	827	2	830		830		830
Loss on disposal of non-current assets	569	2	571		571		571
Impairment losses	258		258		258		258
Investments in affiliated companies	1,267		1,267	18,019	19,287		19,287
Increase in property, plant and equipment and intangible assets	12,057	569	12,626	149	12,776	(10)	12,766

Year ended March 31, 2023	Thousands of U.S. Dollars						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
	Banking Operations	Leasing Operations	Total				
Ordinary income:							
Ordinary income from external customers	\$ 1,816,292	\$262,615	\$ 2,078,907	\$ 73,156	\$ 2,152,064		\$ 2,152,064
Ordinary income from intersegment transactions	15,314	8,515	23,830	3,978	27,809	\$ (27,809)	
Total	\$ 1,831,606	\$271,131	\$ 2,102,738	\$ 77,134	\$ 2,179,873	\$ (27,809)	\$ 2,152,064
Segment profit	\$ 527,981	\$ 11,731	\$ 539,713	\$ 15,790	\$ 555,504	\$ (1,628)	\$ 553,875
Segment assets	116,418,660	903,544	117,322,205	6,373,803	123,696,008	(6,466,065)	117,229,943
Segment liabilities	108,476,248	730,163	109,206,411	139,773	109,346,185	(713,704)	108,632,481
Other:							
Depreciation	125,898	7,655	133,553	1,028	134,582	(50)	134,532
Interest income	1,195,177	72	1,195,250	464	1,195,714	(7,990)	1,187,723
Interest expense	293,944	1,940	295,884	3,355	299,240	(1,802)	297,438
Equity in earnings of affiliated companies	385		385	2,741	3,126		3,126
Extraordinary income	3,439		3,439	16,962	20,401	(19,005)	1,395
Gain on disposal of non-current assets	1,395		1,395		1,395		1,395
Reversal of stock acquisition rights	2,043		2,043		2,043	(2,043)	
Gains on dividend in kind				16,962	16,962	(16,962)	
Extraordinary losses	6,199	16	6,215		6,215		6,215
Loss on disposal of non-current assets	4,264	16	4,280		4,280		4,280
Impairment losses	1,935		1,935		1,935		1,935
Investments in affiliated companies	9,491		9,491	134,938	144,430		144,430
Increase in property, plant and equipment and intangible assets	90,290	4,261	94,552	1,122	95,675	(76)	95,598

Notes: 1. "Reconciliations" are mainly eliminations of intersegment transactions.
2. The Company, established on October 3, 2022, is included in "Other."

5. Related information

(1) Information about services

	Millions of Yen					Thousands of U.S. Dollars				
	Lending Operations	Investment Operations	Leasing Operations	Other	Total	Lending Operations	Investment Operations	Leasing Operations	Other	Total
Year ended March 31, 2023	¥117,068	¥66,588	¥35,069	¥68,660	¥287,386	\$876,654	\$498,638	\$262,615	\$514,154	\$2,152,064

(2) Information about geographical areas

(i) Ordinary income

The domestic share of ordinary income from external customers exceeds 90% of ordinary income in the consolidated statement of income, thus information is not presented.

(ii) Tangible fixed assets

The domestic share of tangible fixed assets exceeds 90% of tangible fixed assets in the consolidated balance sheet, thus information is not presented.

(3) Information about major customers

Ordinary income from a specific customer does not exceed 10% of ordinary income in the consolidated statements of income, thus information is not presented.

6. Information about impairment losses of assets

	Millions of Yen					Thousands of U.S. Dollars				
	Reportable Segment					Reportable Segment				
	Banking Operations	Leasing Operations	Total	Other	Total	Banking Operations	Leasing Operations	Total	Other	Total
Year ended March 31, 2023	¥258		¥258		¥258	\$1,935		\$1,935		\$1,935

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(Financial Instruments)

1. Information on financial instruments

(1) Policy for financial instruments

The Group provides comprehensive financial services, centering on banking, along with leasing and financial instruments trading. Its base of operations is Shizuoka Prefecture.

Banking operations, the core business of the Group, provide a range of financial instruments, including deposits in Japanese yen, deposits in foreign currencies, Japanese government bonds, investment trusts, and personal pension insurance. It also provides stable financing for customers in the region through loans to individuals and lending operations for small and medium enterprises.

(2) Details of financial instruments and related risks

The financial assets of the Group consist primarily of loans and bills discounted to domestic customers and securities, including bonds and equity securities.

The loans and bills discounted are exposed to credit risk arising from potential default by borrowers. As about 50% of the loans and bills discounted are for customers in Shizuoka Prefecture, credit-related losses could occur on a large scale if the regional economic environment changes negatively or if a severe earthquake occurs.

The Group holds securities, such as debt securities (bonds), equity securities, and investment trusts, under its investment policy focused on the safety and liquidity of the investment. These securities are exposed to risks of market price fluctuations associated with the credit standing of issuers and interest rate changes. If the prices of equity securities and other securities held decline, impairment losses or valuation losses could adversely affect the operating results and financial standing of the Group.

Financial liabilities consist primarily of deposits from domestic customers and funds raised in the call market. If the Company loses its credit status because of downgrades or other factors, or if the market environment deteriorates, conditions for financing could worsen or transactions could be constrained.

The Group enters into derivative transactions for customer needs of hedging exchange rates or interest rates, and for asset and liability management (ALM) or hedging individual transactions to appropriately manage the market risks of the Group. The Group also conducts short-term trading transactions.

Derivatives mainly include interest rate swaps, currency swaps, and bond futures, and are exposed to market risk that could cause losses in association with changes in interest rate markets and foreign exchange markets, as well as credit risk (counterparty risk), that is, the risk of default on the initial contract due to the bankruptcy of the counterparty or other factors. Between financial assets and financial liabilities, there are interest rate risks associated with mismatches of interest rates and terms.

(3) Risk management systems for financial instruments

(i) Integrated risk management system

Under the Basic Risk Management Regulations that stipulate the Group's basic risk management policy, the Group has established a basic framework, including an organizational structure for defining and managing risks and specific procedures for risk management.

To ensure a balance between profitability and financial soundness, the Group has introduced a management system based on a risk capital allocation at the core of integrated risk management.

The risk capital allocation is a system for avoiding excessive risk taking by setting risk limits below which the Group will be able to withstand losses on its own. This system allocates core regulatory capital to each operational department or section and controls risk so that if market, credit or other risks emerge, losses will be contained within the range of shareholders' equity.

(ii) Credit risk management system

Credit risk is the risk of incurring losses when collecting loans and bills discounted becomes difficult because of the worsening of borrowers' financial conditions.

The Credit Risk Management Office of the Risk Management Department manages all credit risks associated with the Group's operations both in Japan and overseas in order to ensure the soundness of the Group's loan asset portfolio. The borrower credit rating system, which is an essential part of its credit risk management, together with other internal rating systems, is operated by the Credit Planning Group of the Credit Support Department, designed and supervised by the Credit Risk Management Group of the Risk Management Department, which is independent from the credit department (i.e., the Credit Support Department), and verified for appropriateness of the system by the Risk Management Group of the Risk Management Department. This structure has been designed such that the internal credit rating system will function appropriately through mutual checks and balances between these three groups.

In addition, the Audit Department checks whether credit risk management is conducted appropriately in accordance with the relevant rules, through such means as validation of the self assessment process.

The Credit Risk Management Office uses statistical methods to quantify latent credit risks intrinsic to the Group's entire loan portfolio. This enables the Bank to accurately assess the scale of potential risk, monitor any concentration of loans to particular large-scale borrowers or specific industries, and thus control the portfolio to avoid excessive credit risk.

The credit risk management status, together with the status of market risk management and liquidity risk management described below, is reported through monthly meetings of the Committee for Group Integrated Risk and Budget Management, which is chaired by the president, as well as through other channels of management.

(iii) Market risk management system

Market risk is the risk of incurring losses in association with changes in the prices of financial assets and liabilities that are caused by changes in interest rates, stock prices, and foreign exchange rates.

The Group controls the degree of market risks within a certain range by setting limits about risk capital allocations, unrealized profits and losses, position, and sensitivity, and so on.

The Group has established ALM hedge criteria for transactions in banking accounts, especially deposits, loans and bills discounted, and investment securities to control the degree of market risk within a certain range. The Business Strategy Planning Office of the Corporate Planning Department discusses ALM hedge policies based on the status of interest rate risks and interest rate outlook at meetings of the Committee for Group Integrated Risk and Budget Management.

The Group has established a system of checks and balances in the market division by strictly separating trading departments and administration departments and by setting up an independent risk management department. The Audit Department, which is independent of departments subject to audit, checks the effectiveness of this system of checks and balances among the three departments.

The Group measures the market risks (the estimation of possible losses) of financial assets and liabilities, such as securities and derivatives held in trading portfolios, and loans, securities, deposits, bonds payable, and derivative transactions held in banking portfolios, using Value at Risk (VaR). VaR is utilized for the quantitative analysis to manage market fluctuations.

A historical simulation model (a variance covariance model in 2012) is used for the measurement of VaR. The Group performs backtesting comparing VaR calculated by the model and actual profit and loss, in order to determine whether the measurement model captures market risks with sufficient accuracy.

Nevertheless, VaR measures possible market risk amounts statistically calculated based on historical data and is unlikely to capture risks under significant market fluctuations not presumed.

The total amounts of market risks of the Group as of March 31, 2023, are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
VaR	¥160,028	\$1,198,355

The assumptions used to measure VaR are as follows:

Observation period: Five years

Confidence interval: 99%

Holding period: 125 days for banking transactions and 10 days for trading transactions

Demand deposits staying long term without withdrawal are estimated as core deposits and are reflected in the market risk measurement.

(iv) Liquidity risk management system

There are two types of liquidity risk: (1) financing risk, which is the risk of not being able to secure needed funds as a result of worsening market conditions and other factors, or incurring losses due to being forced to raise funds at much higher interest rates than usual; and (2) market liquidity risk, which is the risk of not being able to trade financial instruments, such as bonds, because of market turmoil or other factors or incurring losses due to being forced to trade financial instruments at far less favorable prices than usual.

The Group has established a system of checks and balances by setting up fund management departments for financing in Japanese yen and in foreign currencies, and a liquidity risk management department that is independent of the fund management departments. The Fund and Foreign Exchange Group of the Treasury Department of the Bank, which is one of the fund management departments, controls amounts raised in markets within a range of amounts permitted to be raised so as to prevent excessive fund-raising in markets, and seeks stable financing, considering market circumstances. The Risk Management Office of the Risk Management Department, which is the liquidity risk management department, assesses the stability of the asset and liability structure, including the status of the holding of liquid assets, and monitors the financing position and the status of management by the fund management departments.

To deal promptly with unforeseeable circumstances, the Bank has classified financing management in emergencies into four phases -- Phase 1 (prevention), Phase 2 (caution needed), Phase 3 (concern over liquidity), and Phase 4 (lack of liquidity) --, and has appointed authorized personnel and countermeasures for each phase in advance.

To manage market liquidity risk, the liquidity risk management department monitors the holding of liquid assets on a timely basis, and the front office chooses assets to be managed after taking into account their liquidity and sets limits by issue and by term.

(4) Supplementary explanation of the fair values of financial instruments

The fair values of financial instruments include values based on market prices. If there are no market prices, values are reasonably calculated. As these fair values are calculated based on certain assumptions, fair values could differ if different assumptions are used for calculation.

2. Fair values of financial instruments and a breakdown by level of the fair values of financial instruments

The carrying values and fair values of financial instruments, the difference between these values, and their fair values by level are as follows:

Please note that the table below does not include stocks or others without quoted market prices and investments in partnerships. Account items whose carrying values are of low significance have been omitted.

Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is classified at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(1) Financial instruments measured at the fair values in the consolidated balance sheet

Millions of Yen				
March 31, 2023	Level 1	Level 2	Level 3	Total
Trading assets				
Trading securities	¥45	¥3,834		¥3,880
Japanese government bonds	45			45
Local government bonds		481		481
Corporate bonds		3,353		3,353
Securities (*1)				
Available-for-sale securities	1,444,452	1,157,755	¥191,947	2,794,155
Japanese government bonds	854,509			854,509
Local government bonds		235,913		235,913
Corporate bonds		246,444	191,868	438,312
Stocks	446,162	4,389		450,552
Others	143,779	671,008	79	814,867
Foreign bonds	143,779	428,477		572,257
Total assets	¥1,444,498	¥1,161,590	¥191,947	¥2,798,036
Derivative transactions (*2)(*3)(*4)				
Interest rate-related		¥(1,427)		¥(1,427)
Currency-related		(9,060)		(9,060)
Total derivative transactions		¥(10,488)		¥(10,488)

Thousands of U.S. Dollars				
March 31, 2023	Level 1	Level 2	Level 3	Total
Trading assets				
Trading securities	\$342	\$28,715		\$29,058
Japanese government bonds	342			342
Local government bonds		3,604		3,604
Corporate bonds		25,111		25,111
Securities (*1)				
Available-for-sale securities	10,816,629	8,669,727	\$1,437,380	20,923,737
Japanese government bonds	6,398,906			6,398,906
Local government bonds		1,766,613		1,766,613
Corporate bonds		1,845,472	1,436,785	3,282,258
Stocks	3,341,042	32,868		3,373,910
Others	1,076,680	5,024,773	594	6,102,048
Foreign bonds	1,076,680	3,208,610		4,285,291
Total assets	\$10,816,971	\$8,698,443	\$1,437,380	\$20,952,796
Derivative transactions (*2)(*3)(*4)				
Interest rate-related		\$(10,693)		\$(10,693)
Currency-related		(67,845)		(67,845)
Total derivative transactions		\$(78,538)		\$(78,538)

(*1) Securities do not include investment trusts to which the treatment in Paragraph 24-9 of the Implementation Guidance on Accounting Standard for Fair Value Measurement is applied to deem the net asset value to be the fair value.

These investment trusts are carried at ¥10,300 million (\$77,135 thousand) in the consolidated balance sheet.

A reconciliation of the beginning balance to the ending balance of the investment trusts to which the treatment of net asset value as fair value was applied is as follows:

(Millions of Yen)

Balance at Beginning of Year	Profit/Loss or Other Comprehensive Income		Net Purchase, Sales and Redemption	The Amount by Which the Net Asset Value of the Investment Trusts is Deemed to be the Fair Value	The Amount by Which the Net Asset Value of the Investment Trusts is Not Deemed to be the Fair Value	Balance at Ending of Year	Unrealized Gains/Losses on Investment Trusts Held at the Consolidated Balance Sheet Date of the Amount Recorded in Profit/Loss for the Year
	Recorded in Profit/Loss	Recorded in Other Comprehensive Income (*)					
¥15,647		¥(101)	¥(5,244)	¥10,300		¥10,300	

(Thousands of U.S. Dollars)

Balance at Beginning of Year	Profit/Loss or Other Comprehensive Income		Net Purchase, Sales and Redemption	The Amount by Which the Net Asset Value of the Investment Trusts is Deemed to be the Fair Value	The Amount by Which the Net Asset Value of the Investment Trusts is Not Deemed to be the Fair Value	Balance at Ending of Year	Unrealized Gains/Losses on Investment Trusts Held at the Consolidated Balance Sheet Date of the Amount Recorded in Profit/Loss for the Year
	Recorded in Profit/Loss	Recorded in Other Comprehensive Income (*)					
\$117,172		\$(763)	\$(39,273)	\$77,135		\$77,135	

(*) Included in "Valuation difference on available-for-sale securities" in "Other comprehensive income" in the consolidated statements of comprehensive income.

(*2) The total of all derivative transactions recorded in trading assets and liabilities and other assets and liabilities

Net claims and liabilities arising from derivative transactions are presented in net amounts. Net negative amounts are marked with a bracket.

Transactions subject to special hedging treatment of interest rate swaps are valued together with the hedged transactions, and have thus been excluded from derivative transactions.

(*3) Of the derivative transactions, those subject to hedge accounting are carried at ¥(21,659) million (\$162,194 thousand) in the consolidated balance sheet.

(*4) These transactions include, among others, interest rate swaps designated as hedging instruments to reduce market fluctuation risk or foreign exchange fluctuation risk associated with loans to be hedged against. Deferred hedge accounting is applied to these transactions. The Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR (ASBJ PITF No. 40, March 17, 2022) is applied to these hedging relationships.

(2) Financial instruments not measured at the fair values in the consolidated balance sheet

Notes have been omitted for cash and due from banks, call loans and bills bought, call money and bills sold, payables under repurchase agreements, and payables under securities lending transactions, as the carrying values of these financial instruments approximate their fair values due to short payment terms.

Millions of Yen						
March 31, 2023	Fair Value				Carrying Value	Difference
	Level 1	Level 2	Level 3	Total		
Securities						
Held-to-maturity		¥14,764	¥57,701	¥72,465	¥72,903	¥(438)
Japanese government bonds						
Local government bonds		8,617		8,617	8,744	(127)
Corporate bonds		2,054	57,701	59,755	59,840	(85)
Others		4,092		4,092	4,318	(225)
Foreign bonds		4,092		4,092	4,318	(225)
Loans and bills discounted					10,037,128	
Allowance for loan losses (*)					(47,946)	
			9,955,186	9,955,186	9,989,181	(33,994)
Total assets		¥14,764	¥10,012,887	¥10,027,652	¥10,062,085	¥(34,432)
Deposits		¥11,705,100		¥11,705,100	¥11,705,070	¥30
Negotiable certificates of deposit		65,104		65,104	65,104	0
Borrowed money		1,289,210	¥29,412	1,318,623	1,325,573	(6,950)
Total liabilities		¥13,059,415	¥29,412	¥13,088,828	¥13,095,748	¥(6,920)

Thousands of U.S. Dollars						
March 31, 2023	Fair Value				Carrying Value	Difference
	Level 1	Level 2	Level 3	Total		
Securities						
Held-to-maturity		\$110,561	\$432,088	\$542,650	\$545,931	\$(3,281)
Japanese government bonds						
Local government bonds		64,529		64,529	65,484	(955)
Corporate bonds		15,383	432,088	447,471	448,110	(638)
Others		30,649		30,649	32,336	(1,687)
Foreign bonds		30,649		30,649	32,336	(1,687)
Loans and bills discounted					75,161,960	
Allowance for loan losses (*)					(359,042)	
			74,548,351	74,548,351	74,802,917	(254,565)
Total assets		\$110,561	\$74,980,439	\$75,091,001	\$75,348,848	\$(257,846)
Deposits		\$87,652,394		\$87,652,394	\$87,652,168	\$225
Negotiable certificates of deposit		487,526		487,526	487,526	0
Borrowed money		9,654,117	\$ 220,252	9,874,370	9,926,418	(52,047)
Total liabilities		\$97,794,039	\$ 220,252	\$98,014,291	\$98,066,114	\$(51,822)

(*) General and individual allowances for losses are excluded from the corresponding loans and bills discounted.

Note 1: Description of the valuation methodologies and inputs used for measurement of the fair value of financial instruments

Assets

Trading assets

The fair values of trading assets are classified into Level 1 if their unadjusted quoted prices in active markets are available. These trading assets primarily include Japanese government bonds. If the market is not active, the fair values of trading assets are classified into Level 2 even if their published quoted prices are used. These trading assets primarily include local government bonds and corporate bonds.

Securities

The fair values of securities are classified into Level 1 if their unadjusted quoted prices in active markets are available. These securities primarily include listed stocks and Japanese government bonds. If the market is not active, the fair values of securities are classified into Level 2 even if their published quoted prices are used. These securities primarily include local government bonds and corporate bonds. For investment trusts for which no market trading prices exist, the net asset value is used as fair value and classified into Level 2, if there are no material restrictions that would require compensation for the risk from market participants with respect to cancellation or repurchase requests. The fair values of securitized products (beneficial interests in trust) are classified into Level 3, because these fair values are measured based on prices obtained from third parties, and significant unobservable inputs are used to calculate these prices. The fair values of private placement bonds are classified into Level 3, because these fair values are measured by discounting at a discount rate commensurate with the bonds' internal rating, remaining term, and coverage ratio, and the discount rate is a significant unobservable input.

Stock acquisition rights are calculated using valuation techniques, such as the option valuation model. Major inputs include probability of listing. Since probability of listing is an unobservable input, the fair value of stock acquisition rights is classified into Level 3.

Loans and bills discounted

The fair values of loans and bills discounted are measured at their present values, which are calculated separately for different categories created based on types and internal ratings of loans and bills discounted, the status of their collateral and guarantees, and their periods, by discounting the future cash flows of the principal and interest at the interest rate expected for similar new loans or at a discount rate calculated by reflecting credit risk, expense rate, etc., on market interest rate. The fair values of floating-rate loans and bills discounted are measured at their carrying values, because their carrying values approximate fair values if the borrowers' credit status has not changed significantly since disbursement, as they quickly reflect market interest rates. As for claims against borrowers classified as legal bankruptcy, virtual bankruptcy or caution, since the loan loss estimates have been calculated based on, among other things, the amounts expected to be recoverable from collateral and guarantees, the fair values of these claims approximate their carrying values minus the amount of allowance for loan losses on the consolidated balance sheet at the end of the fiscal year. The remaining amounts are deemed to be their fair values. These fair values are all classified into Level 3, since the discount rate is unobservable.

Liabilities

Deposits and Negotiable Certificates of Deposit

As for demand deposits payable immediately on demand at the end of the fiscal year, the amounts payable are deemed to be their fair values. The fair values of time deposits and negotiable certificates of deposit are measured at their discounted present value, which is calculated by classifying them based on their periods and discounting the future cash flows at the interest rate to be used when accepting new deposits. The fair values of deposits with short terms (up to one year) or floating interest rates are measured at their carrying values, since their carrying values approximate fair values. These fair values are classified into Level 2.

Borrowed money

The fair value of borrowed money is measured at its present value, which is calculated by classifying the borrowed money based on its period and by discounting the future cash flows at the interest rate expected for similar new borrowings. Floating rate borrowed money reflects market interest rates in short periods, and the credit standing of the Group has not significantly changed since disbursement. Therefore, the carrying value of floating rate borrowed money approximates the fair value. The fair value of borrowed money with short terms (up to one year) is measured at its carrying value, since its carrying value approximates fair value. This fair value is classified into Level 3 if any significant unobservable input is used in its measurement, or otherwise into Level 2.

Derivative Transactions

The fair values of derivative transactions are classified into Level 1 if their unadjusted quoted prices in active markets are available. These derivative transactions primarily include bonds futures. However, since most derivatives are over the counter transactions without published quoted prices, their fair values are measured using valuation techniques, such as the present value technique and the option valuation model depending on the type of transaction and the maturity period. The main inputs used in those valuation techniques are interest rate, exchange rate, and volatility, among others. In addition, price adjustments are made based on the credit risk of the counterparty and that of the Group. The fair values of these transactions are classified into Level 2 if no unobservable inputs are used or if the effect of the unobservable inputs used is insignificant. These transactions primarily include interest rate swaps and forward exchange contracts.

Note 2: Information on financial instruments measured at Level 3 fair values in the consolidated balance sheet

(1) Quantitative information on significant unobservable inputs (March 31, 2023)

Category	Valuation Technique	Significant Unobservable Input	Range of Input	Weighted Average of Input
Securities				
Corporate bonds				
Private placement bonds	Present value technique	Discount rates	0.3% – 2.0%	0.6%
Other				
Stock acquisition rights	Option valuation model	Probability of listing	0% – 50.0%	49.9%

(2) Reconciliation between opening and closing balances and loss/gain on valuation recognized in profit/loss

	Millions of Yen		
	Securities		
	Available-For-Sale Securities		
	Private Placement Bonds	Securitized Products (Beneficial Interest in Trust)	Stock Acquisition Rights
March 31, 2023			
Balance at beginning of the year	¥31,430	¥108,028	¥25
Profit or loss or other comprehensive income for the period			
Recorded in profit or loss (*1)		(37)	(7)
Recorded in other comprehensive income (*2)	(104)	(694)	10
Net purchases, sales, issues, and settlements	(2,301)	55,546	51
Transfer into Level 3 fair value			
Transfer from Level 3 fair value			
Balance at end of the year	¥29,024	¥162,843	¥79
Gains or losses on valuation of financial assets and financial liabilities held at the end of the year included in profit or loss for the period			

	Thousands of U.S. Dollars		
	Securities		
	Available-For-Sale Securities		
	Private Placement Bonds	Securitized Products (Beneficial Interest in Trust)	Stock Acquisition Rights
March 31, 2023			
Balance at beginning of the year	\$235,367	\$ 808,960	\$188
Profit or loss or other comprehensive income for the period			
Recorded in profit or loss (*1)		(279)	(57)
Recorded in other comprehensive income (*2)	(782)	(5,201)	77
Net purchases, sales, issues, and settlements	(17,236)	415,957	386
Transfer into Level 3 fair value			
Transfer from Level 3 fair value			
Balance at end of the year	\$217,348	\$1,219,437	\$594
Gains or losses on valuation of financial assets and financial liabilities held at the end of the year included in profit or loss for the period			

(*1) Included in "Interest Income" on the consolidated statement of income.

(*2) Included in "Valuation difference on available-for-sale securities" in "Other Comprehensive Income" on the consolidated statement of comprehensive income.

(3) Description of process of fair value measurement

The Group has established policies and procedures for fair value measurement in middle departments and back-end departments. Once a fair value is measured, verification is performed to test the validity of the valuation techniques and inputs used in the measurement of the fair value and the appropriateness of the classification of the fair value.

In calculating fair values, valuation models are used that most appropriately reflect the nature, characteristics, and risks of the individual assets.

Furthermore, when quoted prices obtained from a third party are used, the validity of these prices are verified by such appropriate methods as checking the valuation techniques and inputs being used and/or comparing the resulting fair values with fair values of similar financial instruments.

(4) Description of the impact of changes in significant unobservable inputs on fair values

The significant unobservable inputs used in the measurement of fair values of securitized products (beneficial interests in trust) are probability of default, loss given default, and prepayment rate. Significant increase (decrease) in probability of default or loss given default will result in significant decrease (increase) in fair values, whereas significant change in prepayment rate will result in significant decrease (increase) in fair values, depending on the structure of the financial instrument.

The significant unobservable input used in the measurement of fair values of private placement bonds is discount rate. The discount rate is calculated according to the internal rating of the issuer, the remaining term, and the coverage ratio. Significant increase (decrease) in discount rate will result in significant decrease (increase) in fair values.

Probability of listing is the significant unobservable input used to calculate the fair value of stock acquisition rights. A significant increase (decrease) in probability of listing will result in a significant increase (decrease) in fair value.

Note 3: Stocks and others without quoted market prices and investments in partnerships are measured as follows in the consolidated balance sheet. They are not included in "Available-for-sale securities" in the tables disclosed within this footnote under the heading, "2. Fair values of financial instruments and a breakdown by level of the fair values of financial instruments" above.

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Unlisted stocks (*1, *2)	¥ 10,472	\$ 78,419
Investments in partnerships and others (*3)	90,224	675,640
Total	¥100,697	\$754,059

(*1) Unlisted stocks are not included in the disclosure of fair value in accordance with Paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

(*2) The impairment losses on unlisted stocks for the year ended March 31, 2023, are ¥19 million (\$148 thousand).

(*3) Investments in partnerships and others principally include investment partnerships. These are not included in the disclosure of fair value in accordance with Paragraph 24-16 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments."

These investments in partnerships and others include the investments in non-consolidated subsidiaries as of March 31, 2023, of ¥3,252 million (\$24,359 thousand), among others.

Note 4: Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen					
	Due in One Year or Less	Due after One Year through Three Years	Due after Three Years through Five Years	Due after Five Years through Seven Years	Due after Seven Years through Ten Years	Due after Ten Years
March 31, 2023						
Due from banks	¥1,656,893					
Call loans and bills bought	200,866					
Securities:	101,636	¥ 125,496	¥ 304,989	¥ 126,429	¥ 531,993	¥1,168,434
Held-to-maturity securities	1,000	9,096	28,643	1,364	1,100	31,602
Available-for-sale securities	100,636	116,399	276,345	125,064	530,893	1,136,832
Loans and bills discounted (*1)(*2)	2,162,432	1,811,687	1,457,401	917,043	1,003,438	2,487,986
Total	¥4,121,828	¥1,937,184	¥1,762,390	¥1,043,472	¥1,535,432	¥3,656,421

	Thousands of U.S. Dollars					
	Due in One Year or Less	Due after One Year through Three Years	Due after Three Years through Five Years	Due after Five Years through Seven Years	Due after Seven Years through Ten Years	Due after Ten Years
March 31, 2023						
Due from banks	\$12,407,469					
Call loans and bills bought	1,504,167					
Securities:	761,090	\$ 939,767	\$ 2,283,877	\$ 946,751	\$ 3,983,775	\$ 8,749,699
Held-to-maturity securities	7,488	68,120	214,491	10,220	8,237	236,649
Available-for-sale securities	753,602	871,647	2,069,385	936,531	3,975,537	8,513,049
Loans and bills discounted (*1)(*2)	16,193,141	13,566,630	10,913,598	6,867,182	7,514,143	18,631,020
Total	\$30,865,868	\$14,506,397	\$13,197,476	\$7,813,934	\$11,497,918	\$27,380,720

(*1) The amounts of loans and bills discounted without due dates, which have been excluded as of March 31, 2023 are ¥103,771 million (\$777,081 thousand).

(*2) The amounts of loans and bills discounted for "possible bankruptcy," "virtual bankruptcy," and "legal bankruptcy," excluding those without due dates, which have been excluded as of March 31, 2023 are ¥93,366 million (\$699,162 thousand).

Note 5: Maturity analysis for borrowed money and other interest-bearing debt

March 31, 2023	Millions of yen					
	Due in One Year or Less	Due after One Year through Three Years	Due after Three Years through Five Years	Due after Five Years through Seven Years	Due after Seven Years through Ten Years	Due after Ten Years
Deposits	¥11,376,656	¥295,379	¥ 26,327	¥2,936	¥3,770	
Negotiable certificates of deposit	65,104					
Call money and bills sold	172,557					
Payables under repurchase agreements	385,270					
Payables under securities lending transactions	466,781					
Borrowed money	373,279	209,016	742,457	821		
Total	¥12,839,649	¥504,395	¥768,785	¥3,757	¥3,770	

March 31, 2023	Thousands of U.S. Dollars					
	Due in One Year or Less	Due after One Year through Three Years	Due after Three Years through Five Years	Due after Five Years through Seven Years	Due after Seven Years through Ten Years	Due after Ten Years
Deposits	\$85,192,871	\$2,211,918	\$ 197,152	\$21,990	\$28,235	
Negotiable certificates of deposit	487,526					
Call money and bills sold	1,292,177					
Payables under repurchase agreements	2,885,060					
Payables under securities lending transactions	3,495,442					
Borrowed money	2,795,260	1,565,196	5,559,812	6,149		
Total	\$96,148,338	\$3,777,114	\$5,756,965	\$28,140	\$28,235	

Note: Demand deposits are included in "Due in One Year or Less."

33. DERIVATIVES

Qualitative information on derivatives, such as the nature and the purpose of derivative financial instruments, is included in Note 32.

Derivative transactions to which hedge accounting is not applied at March 31, 2023 consisted of the following:

	Millions of Yen			
	Contract or Notional Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Over the counter:				
Interest rate swaps	¥595,725	¥573,770	¥ 909	¥ 909
Currency swaps	254,053	225,987	(47)	(47)
Forward contracts	688,567	301,559	10,356	10,356
Currency options	310,314	310,314	(82)	3,086
Other	4,356	3,781	34	34

	Thousands of U.S. Dollars			
	Contract or Notional Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Over the counter:				
Interest rate swaps	\$4,461,024	\$4,296,617	\$ 6,812	\$ 6,812
Currency swaps	1,902,451	1,692,280	(353)	(353)
Forward contracts	5,156,263	2,258,195	77,554	77,554
Currency options	2,323,755	2,323,755	(618)	23,114
Other	32,619	28,320	261	261

Note: Derivatives included in the table above were measured at fair value, and the unrealized gains and losses were recognized in income.

Derivative transactions to which hedge accounting is applied at March 31, 2023, consisted of the following:

	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Principled treatment:				
Interest rate swaps	Securities classified as available-for-sale and borrowed money	¥569,632	¥410,599	¥ (2,337)
Currency swaps	Loans, deposits, and securities in foreign currencies	147,486	139,294	(19,321)
Special hedging treatment:				
Interest rate swaps	Loans	86,794	58,625	

	Hedged Item	Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Principled treatment:				
Interest rate swaps	Securities classified as available-for-sale and borrowed money	\$4,265,631	\$3,074,726	\$ (17,506)
Currency swaps	Loans, deposits, and securities in foreign currencies	1,104,438	1,043,092	(144,688)
Special hedging treatment:				
Interest rate swaps	Loans	649,949	439,007	

Notes: 1. Principally, deferral hedge accounting is applied as stipulated in JICPA Industry Committee Practical Guideline No. 24, March 17, 2022, and No. 25, October 8, 2020.

2. The fair value of interest rate swaps with special hedging treatment is omitted as interest rate swaps and loans are treated unitary and their values are included in the fair value of loans and bills discounted in Note 32.

The contract or notional amounts of derivatives shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

34. RELATED-PARTY TRANSACTIONS

Related-party transactions for the year ended March 31, 2023, were as follows:

Related-Party Transactions with the Company's Consolidated Subsidiaries

Related Party	Category	Description of Transactions	Millions of Yen	Thousands of U.S. Dollars
Kiyokawa Building Eiichiro Kiyokawa	Close relative of a director of Shizuoka Bank	Loans	¥ 162	\$1,220
Kiyokawa Corporation	Company in which majority voting rights are held by director or close relative of a director of Shizuoka Bank	Loans	¥ 189	\$1,418
Kiyokawa Real Estate Co., Ltd.	Company in which majority voting rights are held by director or close relative of a director of Shizuoka Bank	Loans	¥1,029	\$7,705

Notes: 1. Related-party transactions stated above are processed under equal conditions to transactions with general customers.

2. Amounts of loans are balances at the end of the fiscal year.

35. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the year ended March 31, 2023, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Unrealized gain on available-for-sale securities:		
Gains arising during the year	¥ 44,306	\$ 331,783
Reclassification adjustments to profit and loss	5,616	42,060
Amount before income tax effect	49,923	373,843
Income tax effect	(15,392)	(115,267)
Total	¥ 34,530	\$ 258,576
Deferred losses on derivatives under hedge accounting:		
Losses arising during the year	¥ (7,304)	\$ (54,700)
Reclassification adjustments to profit and loss	5,005	37,481
Amount before income tax effect	(2,299)	(17,219)
Income tax effect	686	5,141
Total	¥ (1,612)	\$ (12,077)
Foreign currency translation adjustments:		
Gains arising during the year	¥ 3,377	\$ 25,293
Reclassification adjustments to profit and loss	(5,115)	(38,310)
Amount before income tax effect	(1,738)	(13,016)
Income tax effect	185	1,391
Total	¥ (1,552)	\$ (11,624)
Defined retirement benefit plans:		
Adjustments arising during the year	¥ (1,669)	\$ (12,498)
Reclassification adjustments to profit and loss	(925)	(6,929)
Amount before income tax effect	(2,594)	(19,427)
Income tax effect	775	5,807
Total	¥ (1,818)	\$ (13,620)
Share of other comprehensive income in affiliated companies:		
Gains arising during the year	¥ 236	\$ 1,768
Reclassification adjustments to profit and loss		
Amount before income tax effect	236	1,768
Income tax effect		
Total	¥ 236	\$ 1,768
Total other comprehensive income	¥ 29,782	\$ 223,021

36. BUSINESS COMBINATION

Transactions under common control, etc.

1. Establishment of holding company through a sole share transfer

(1) Summary of the transaction

(i) Name of the combined entity and its business

Name of the combined entity	Business
The Shizuoka Bank, Ltd.	Banking service

(ii) Date of business combination

October 3, 2022

(iii) Legal form of business combination

Establishment of a holding company through a sole share transfer

(iv) Name of company after combination

Wholly owning parent company in the share transfer
Shizuoka Financial Group, Inc.

(v) Other matters related to the summary of the transaction

The Company was established with the aim of "maximizing value for all stakeholders" by further strengthening group management through independence and collaboration among group companies, while building a flexible and robust governance structure that responds to the business environment and expanding into new business areas that contribute to regional growth.

On October 3, 2022, the Company acquired all of the shares of subsidiary-affiliated companies below held by the Bank using the method of receiving dividends in kind from the Bank and turned the five companies into consolidated subsidiaries and equity method affiliates directly owned by the Company.

A. Subsidiaries

Shizugin Management Consulting Co., Ltd.
Shizugin Lease Co., Ltd.
Shizuoka Capital Co., Ltd.
Shizugin TM Securities Co., Ltd.

B. Affiliate

Monex Group, Inc.

The shares of common stock of the Company held by the Bank were allotted and delivered in equal numbers for each share of treasury stock held by The Shizuoka Bank, Ltd. at the time the share transfer became effective, and were promptly disposed of in accordance with the provisions of the relevant laws and regulations.

(2) Summary of accounting procedures implemented

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), the transaction was treated as a transaction under common control.

2. Acquisition of additional shares of a subsidiary

(1) Summary of the transaction

(i) Name of the combined entity and its business

Name of the combined entity	Business
Shizuoka Capital Co., Ltd.	Initial public offering support services, small and medium-sized business revitalization support services

(ii) Date of business combination

October 4, 2022

(iii) Legal form of business combination

Acquisition of shares from noncontrolling shareholders

(iv) Name of company after combination

No change

(v) Other matters related to the summary of the transaction

With the transition to a holding company structure, the Company acquired the shares held by the noncontrolling shareholders and turned it into a wholly owned subsidiary from the perspective of further strengthening collaboration and synergies within the Group.

(2) Summary of accounting procedures implemented

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), the transaction was treated as a transaction with noncontrolling shareholders among transactions under common control.

(3) Matters listed in the case of acquisition of additional shares of a subsidiary

Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for acquisition: Deposits in cash ¥1,400 million (\$10,483 thousand)

Acquisition cost: ¥1,400 million yen (\$10,483 thousand)

(4) Matters related to changes in the Company's interest in transactions with noncontrolling shareholders

(i) Main reasons for changes in capital surplus

Additional acquisition of shares of a subsidiary

(ii) Amount of decrease in capital surplus due to transactions with noncontrolling shareholders

¥270 million (\$2,024 thousand)

37. NET INCOME PER SHARE

Net income per share ("EPS") for the year ended March 31, 2023 is computed as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Net income attributable to Owners of the Parent		Weighted-Average Shares		EPS
Basic EPS:				
Net income attributable to common shareholders	¥52,397	563,848	¥92.92	\$0.69
Effect of dilutive securities:				
Interest expenses (excluding tax amount)	503			
Stock options		315		
Convertible bonds with stock acquisition rights		17,061		
Diluted EPS:				
Net income for computation	¥52,900	581,225	¥91.01	\$0.68

Since the Company was established on October 3, 2022 through a sole share transfer, the average number of shares of its common stock during the period from April 1, 2022 to October 2, 2022 prior to the establishment of the Company was calculated using the average number of shares during the period of the Bank and it was calculated using the average number of shares of the Company during the period from October 3, 2022 to March 31, 2023.

38. SUBSEQUENT EVENTS

1. Appropriation of Retained Earnings

The following appropriation of retained earnings was authorized at the annual general meeting of shareholders held on June 16, 2023:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends,		
15 yen (\$0.11) per share	¥8,396	\$62,873
Total	¥8,396	\$62,873

2. Retirement of Treasury Stock

At the meeting of the Board of Directors held on May 11, 2023, the Company resolved to retire treasury stock in accordance with Article 178 of the Companies Act as follows:

1. Class of shares to be retired: Shares of common stock of the Company
2. Total number of shares to be retired: 10,000,000 shares
3. Date of retirement: May 31, 2023

Key Consolidated Financial Indicators

Summary of Profits (Losses)

	Millions of Yen
Years ended March 31	2023
Net interest income	¥118,888
Net fees and commissions	37,345
Net trading income	3,723
Net other operating income	207
General and administrative expenses	95,857
Net other ordinary income	9,656
Ordinary profits	73,964
Income before income taxes	73,320
Income taxes:	
Current	20,060
Deferred	808
Net income	52,452
Net income attributable to noncontrolling interests	54
Net income attributable to owners of the parent	52,397
Comprehensive income	82,234

Breakdown of Net Interest Margin

	Billions of Yen
Year ended March 31	2023
Interest income	¥ 158.6
Average interest-earning assets	13,339.0
Average interest rate of interest-earning assets (%)	1.18
Interest expense (Note)	39.7
Average interest-bearing liabilities	13,383.2
Average interest rate of interest-bearing liabilities (%)	0.29
Net interest income	118.8

Note: Interest expense here excludes interest paid in relation to investment in money held in trust.

Net Other Operating Income

	Millions of Yen
Years ended March 31	2023
Gains on foreign exchange transactions	¥ 7,106
Gains/losses on government bonds	(7,523)
Gains on sales	19,093
Losses on sales	(25,706)
Losses on redemptions	(909)
Gains/losses on derivative transactions	624
Proceeds from derivative transactions	624
Gains/losses on other business	207
Other operating income	26,824
Other operating expenses	(26,616)

Loans Outstanding by Type of Borrower

March 31	Billions of Yen, Percentage of Shares	
	2023	
Domestic branches:		
Manufacturing	¥ 1,608.3	16.47%
Agriculture and forestry	8.1	0.08
Fishery	12.9	0.13
Mining and quarrying	16.1	0.17
Construction	278.9	2.86
Utilities	180.4	1.85
Telecommunications	51.7	0.53
Transportation and mail service	299.9	3.07
Wholesale and retailing	878.9	9.00
Finance and insurance	622.9	6.38
Real estate, lease, and rental	2,274.6	23.30
Medical, welfare, lodging, and other services	622.4	6.38
Local governments	98.8	1.01
Other	2,808.5	28.77
Subtotal	9,762.8	100.00
Overseas branches and offshore accounts:		
Governments and official institutions	4.1	1.51
Banks and other financial institutions	36.0	13.15
Other	234.0	85.34
Subtotal	274.3	100.00
Total	¥10,037.1	

Financial Rehabilitation Law Disclosure Claims

March 31	Millions of Yen
	2023
Claims provable in rehabilitation from bankruptcy and equivalents	¥ 16,515
% of total credit	0.16
Doubtful claims	76,904
% of total credit	0.76
Loans past due for three months or more	191
% of total credit	0.00
Restructured loans	13,110
% of total credit	0.13
Financial Rehabilitation Law Disclosure Claims total	106,723
% of total credit	1.06
Value covered with collateral, guarantees, etc.	90,117
Cover ratio(%)	84.44

- Notes: 1. Capital ratios were calculated on a consolidated basis, according to the provision of the Article 52-25 of Banking Act, with the formula on the criteria, the 20th notice by Financial Services Agency in 2006, to judge whether the sufficiency of the equity capital of the banking group is appropriate in light of the assets owned by its group, and so on.
2. Loans past due for three months or more include loans for which payments of principal or interest are delinquent by three months or more, as calculated from the day following the contracted payment date, but do not include claims provable in rehabilitation from bankruptcy and equivalents and doubtful claims.
3. In addition, the leverage ratio, which was a complementary indicator of the capital ratio, was calculated on a consolidated basis, according to the provision of the Article 52-25 of Banking Act, with the formula on the criteria, the 12th notice by Financial Services Agency in 2019, to judge the soundness of the leverage as a complementary indicator of the criteria on whether the sufficiency of the equity capital of the banking group is appropriate in light of the assets owned by its group, and so on.
4. Value covered with collateral, guarantees, etc., includes provisions in the specific reserve for possible loan losses. The covered value was stated on a possible disposal basis.

Allowance for Loan Losses

March 31	Millions of Yen
	2023
General allowance for loan losses	¥27,365
Specific allowance for loan losses	24,971
Total	¥52,336
[Loans on written-off claims for the year]	¥ (402)

Financial Index

Years ended March 31	Consolidated	Nonconsolidated
	2023	2023
Per share (Yen):		
Net income	¥ 92.92	¥ 3.05
Net assets	2,050.65	1,476.65
Cash dividends	30.00	15.00
Dividend payout ratio (%)		491.80
Return on equity (%) (Note)	4.69	99.96
Price-earnings ratio (%)	10.23	310.89

Note: The amount of net income returned as a percentage of the average balance of shareholders' equity.

Capital Adequacy Ratio

	Billions of Yen
	Consolidated
March 31	2023
1. Total capital ratio (%)	18.42
2. Tier 1 ratio (%)	18.42
3. Common equity Tier 1 ratio (%)	18.42
4. Total capital	1,006.1
5. Tier 1 capital	1,006.1
6. Common equity Tier 1 capital	1,006.1
7. Total risk-weighted assets	5,459.2
8. Total capital requirements	436.7
Leverage ratio (%)	6.89

- Notes: 1. Capital ratios were calculated both on consolidated and nonconsolidated bases, with the formula shown on the criteria, the 20th notice by Financial Services Agency in 2006, to judge whether or not the adequacy of equity capital of the Bank is appropriate in light of the circumstances, such as the assets owned by the Bank, according to the provision of the Article 52-25 of Banking Act.
2. The Group adopted the Foundation Internal Rating-Based Approach to calculate credit risk assets and the Standardized Approach for operational risk, and applies the Market Risk Capital Regulations.
3. In addition, the leverage ratio, which was a complementary indicator of the equity ratio, was calculated both on consolidated and nonconsolidated bases, with the formula shown on the criteria, the 12th notice by Financial Services Agency in 2019, to judge the soundness of the leverage as a complementary indicator of the criteria on whether or not the adequacy of equity capital of the Bank is appropriate in light of the circumstances, such as the assets owned by the Bank, according to the provision of the Article 52-25 of Banking Act.
4. The Group has early adopted the finalization of Basel III from the end of March 2023.

The Shizuoka Bank

Corporate Data

HEAD OFFICE

10, Gofukucho 1-chome, Aoi-ku,
Shizuoka-shi, Shizuoka 420-8761, Japan

HEADQUARTERS

2-1, Kusanagi-Kita, Shimizu-ku,
Shizuoka-shi, Shizuoka 424-8677, Japan
Phone: (81) 54-345-5411
URL: <https://www.shizuokabank.co.jp/>

NUMBER OF EMPLOYEES

(As of March 31, 2023)
2,791

DATE OF ESTABLISHMENT

March 1, 1943

INTERNATIONAL BUSINESS DEPT.

INTERNATIONAL BUSINESS PROMOTION GROUP

Phone: (81) 54-345-5411

Fax: (81) 54-344-0090

Treasury and International Operations Dept.

TREASURY & INTERNATIONAL OPERATIONS CENTER

Phone: (81) 54-345-5700

Fax: (81) 54-349-5501

SWIFT address: SHIZJPJT

DOMESTIC NETWORK

(As of July 1, 2023)

Head Office, 177 branches,
26 subbranches

OVERSEAS NETWORK

(As of July 1, 2023)

3 branches,
2 representative offices, and
1 subsidiary

Overseas Service Network

New York Branch

425 Lexington Avenue,
10th Floor, New York,
N.Y. 10017, U.S.A.
Phone: (1) 212-319-6260
Fax: (1) 212-319-6270

Singapore Branch

10 Collyer Quay #09-08/10, Ocean
Financial Centre, Singapore
Phone: (65) 6225-3600
Fax: (65) 6225-9901

Silicon Valley Representative Office

873 Santa Cruz Avenue, Suite 204,
Menlo Park, CA, USA
Phone: (1) 650-240-3258
Fax: (1) 650-240-3259

Hong Kong Branch

Suite 1001-1003, 10th Floor, Tower 6,
The Gateway, Harbour City,
9 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong S.A.R., P.R.C.
Phone: (852) 2521-6547
Fax: (852) 2845-9257

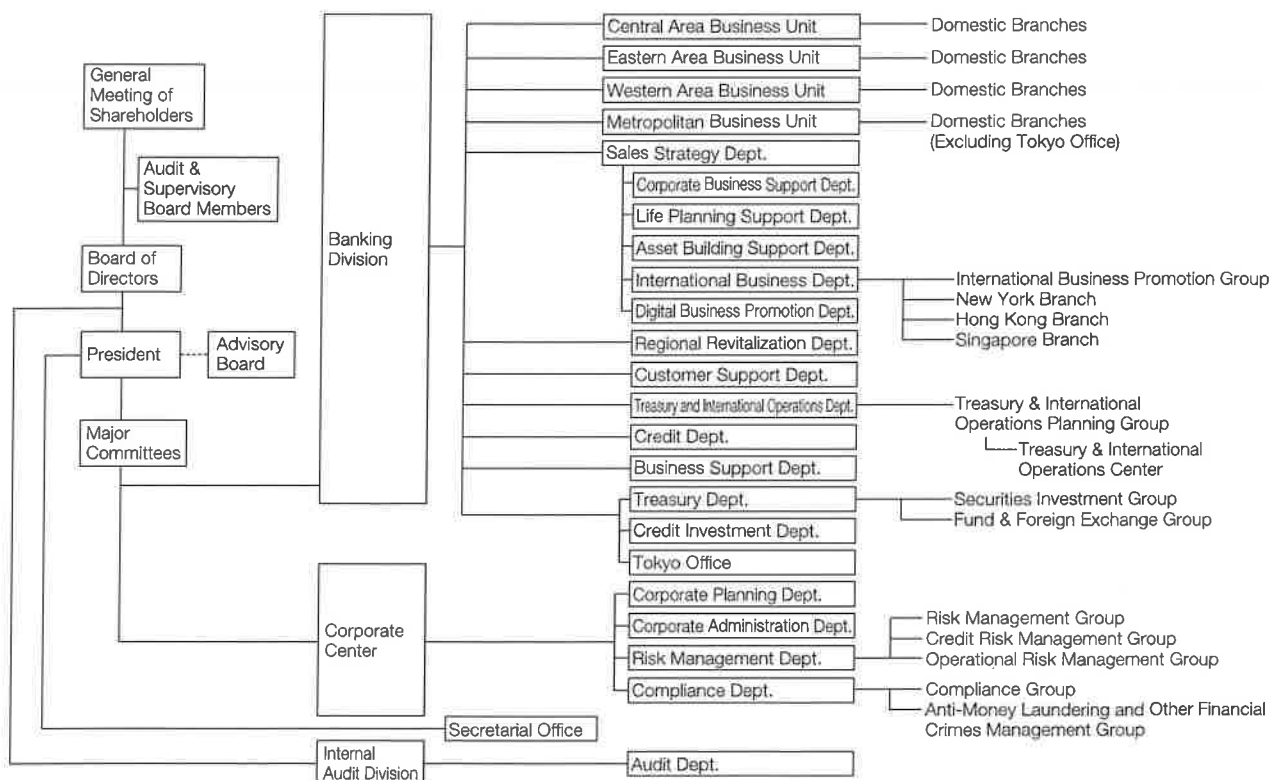
Shanghai Representative Office

Room 1813, Shanghai
International Trade Centre,
2201 Yan-An Road (West),
Chang Ning Qu, Shanghai, P.R.C.
Phone: (86) 21-6209-8115
Fax: (86) 21-6209-8116

Shizuoka Bank (Europe) S.A.

Rue Jules Cockx 8-10, Box 9, 1160
Auderghem, Brussels, Belgium
Phone: (32) 2-646-0470
Fax: (32) 2-646-2462

Organization Chart



Board of Directors and Audit & Supervisory Board

President Minoru Yagi	Director Hisashi Shibata	Audit & Supervisory Board Members Mitsuru Kobayashi Koichi Kiyokawa Yoshihiro Yamashita Isamu Nakamura
Director & Senior Managing Executive Officer Yutaka Fukushima	Director & Senior Executive Officer Hiromitsu Umehara Toshiyasu Takizawa	

(As of July 1, 2023)

Investor Information (The Shizuoka Financial Group)

CAPITAL STOCK (As of March 31, 2023)

Common stock..... ¥90,000 million

NUMBER OF SHARES (As of March 31, 2023)

Authorized..... 2,000,000,000 shares
Issued and outstanding 595,129,069 shares

NUMBER OF SHAREHOLDERS (As of March 31, 2023)

24,349

STOCK LISTING

Prime Market of the Tokyo Stock Exchange

TRANSFER AGENT

Japan Securities Agents, Ltd.

PRINCIPAL SHAREHOLDERS

The 10 largest shareholders of the Shizuoka Financial Group and their respective shareholdings at March 31, 2023, were as follows:

	Number of shares in thousands	Percentage of total shares outstanding
The Master Trust Bank of Japan, Ltd. (trust account)	81,888	14.62%
Nippon Life Insurance Company	29,745	5.31
Meiji Yasuda Life Insurance Company	29,117	5.20
Custody Bank of Japan, Ltd. (trust account)	27,148	4.85
Sumitomo Life Insurance Company	13,070	2.33
STATE STREET BANK WEST CLIENT - TREATY 505234	12,085	2.15
MUFJ Bank, Ltd.	11,884	2.12
DAIICHI SANKYO COMPANY, LIMITED	8,315	1.48
The Dai-ichi Life Insurance Company, Limited	7,505	1.34
SUZUKI MOTOR CORPORATION	7,000	1.25
Total	227,761	40.69%

Notes: 1. In addition to the above, the Shizuoka Financial Group holds 35,390 thousand treasury shares.

2. Numbers of shares have been rounded down to the nearest 1,000 shares.

3. Percentages of total shares outstanding have been calculated after subtracting the number of treasury shares from the total number of shares outstanding, with results being rounding down to two decimal places.

The Shizuoka Financial Group

Consolidated Subsidiaries

THE SHIZUOKA BANK, LTD.

Banking service

SHIZUGIN MANAGEMENT CONSULTING CO., LTD.

Corporate and financial management
advisory services
Bill collection services

SHIZUGIN LEASE CO., LTD.

Leasing

SHIZUGIN IT SOLUTION CO., LTD.

Computer system development and operation

SHIZUGIN CREDIT GUARANTY CO., LTD.

Guarantee of housing loans, etc.

SHIZUGIN CARD CO., LTD.

Credit card and guarantee of consumer loans

SHIZUOKA CAPITAL CO., LTD.

Public-offering assistance
Support for corporate rehabilitation

SHIZUGIN TM SECURITIES CO., LTD.

Securities

SHIZUGIN GENERAL SERVICE CO., LTD.

Fee-based job placement services
General administration

SHIZUGIN MORTGAGE SERVICE CO., LTD.

Appraisal of real estate for loan collateral
Operation center for loans

SHIZUGIN BUSINESS CREATE CO., LTD.

Operation center for remittance and bill
collection
Part-time employee management

SHIZUGIN HEARTFUL CO., LTD.

Making, printing, and binding of documents

SHIZUOKA BANK (EUROPE) S.A.

Finance and securities-related services

SHIZUOKA LIQUIDITY RESERVE LIMITED

Purchases of monetary receivables

Affiliates under Equity Method

SHIZUGIN SAISON CARD CO., LTD.

Credit card and prepaid card
Guarantee of consumer loans

* Other than the above-mentioned Group companies, Monex Group, Inc. and Commons Asset Management, Inc. are equity-method affiliates of the Shizuoka Financial Group.

(As of August 1, 2023)



SHIZUOKA FINANCIAL GROUP

